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ABSTRACT

This report of a hearing before the Committee on Veterans' Affairs, United States Senate, provides information on veterans' educational programs. The focus is a review of several legislative proposals regarding educational programs and benefits for veterans and service personnel. Texts of the three bills (All-Volunteer Force Educational Assistance Act, GI Bill Benefits Increase Act of 1983, and a bill to fine-tune the veterans' educational assistance program) are provided in addition to introductory statements of the bills' authors. Testimony includes statements and written statements from individuals representing the Department of Defense; Veterans' Administration; Federal Personnel and Compensation Division, General Accounting Office; Congressional Budget Office; American Association of State Colleges and Universities; National Association of State Approving Agencies; a panel of representatives of veterans' organizations; and U.S. Senators. Responses are also provided to questions submitted to these agencies, associations, and organizations. (YLB)

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REVIEW OF VETERANS' EDUCATION PROGRAMS

HEARING

BEFORE THE

COMMITTEE ON VETERANS' AFFAIRS
UNITED STATES SENATE
NINETY-EIGHTH CONGRESS
FIRST SESSION

ON

S. 8, S. 9, S. 667, and Related Bills

MARCH 16, 1983

Printed for the use of the Committee on Veterans' Affairs

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REVIEW OF VETERANS' EDUCATION PROGRAMS

WEDNESDAY, MARCH 16, 1983

U.S. SENATE,
COMMITTEE ON VETERANS' AFFAIRS,
Washington, D.C.

The committee met, pursuant to notice, at 10:15 a.m., in room SR-418, Russell Office Building, Hon. Alan K. Simpson (chairman of the committee) presiding.

Present: Chairman Alan K. Simpson (presiding) and Senator Alan Cranston.

OPENING STATEMENT OF HON. ALAN K. SIMPSON, CHAIRMAN OF THE SENATE COMMITTEE ON VETERANS' AFFAIRS

Chairman SIMPSON. I apologize for being tardy. I was presiding over the demise of Amtrak in southern Wyoming and wanted to be there for the internment—interment, not internment. We'll intern the board and then we'll inter the line.

Well, I welcome you to this hearing of the committee. We're looking at several legislative proposals regarding educational programs and benefits for veterans and service personnel.

To most of us I think the phrase "GI Bill" conjures up very positive images. I, myself, attended law school at the University of Wyoming on the GI bill. I know that many of those here today availed themselves of that extraordinary educational effort to further their education. But today, as we address the manning of our peacetime All-Volunteer Force, there would seem to be, to me, and we shall hear of that, no burning indication that a noncontributory GI bill education program is the most cost-effective way to recruit and retain personnel in the armed services.

Other incentives, such as higher pay and cash bonuses, may in fact better achieve the goals at far lower cost. The legislation which I introduced, S. 667, proposes some rather modest improvements in the Post-Vietnam Era Veterans' Educational Assistance, known as VEAP. It's my thought that through this legislation VEAP could be made more attractive to potential enlistees and could provide a more meaningful benefit to participants in a very adequate and appropriate educational program for our peacetime All-Volunteer Force.

We even proposed a change in the name to indicate the emphasis on saving—Serviceperson's Account for Veterans' Education—to focus on the need to invest in a future education through service to one's country.

The issue of a GI bill and proposed rate increase will also be addressed.

We had a hearing in July 1981—2 days of hearings to consider legislative proposals concerning educational programs and benefits for veterans and service personnel. That was at a time when the armed services were experiencing great difficulties in recruiting the quality personnel needed to man the All-Volunteer Force. And I think there were 30 Senators who were sponsoring about 10 pieces of legislation at that time.

By contrast, today the armed services are attracting more recruits than needed, the large majority of whom possess a high school diploma. That would seem to indicate not only an elimination of recruitment problems, but the elimination at this time of the need for incentives to attract more highly qualified recruits.

Some of my colleagues believe that our current recruitment successes are solely a result of a troubled economy and unemployment. I think that might ignore other factors which I believe have contributed to recent successes in recruitment such as I mentioned: increased pay, bonuses, reimbursements and actually an increased attraction to our Nation's youth to serve our country.

But in any event, we will proceed to hear some of your thoughts. The programs have always been very important. Do they serve the need of recruitment, retention, attraction? Those are some of the things we will discuss.

And if we were to implement a GI bill at this time—that program which is our very best ace in the hole on readjustment benefits and reward for service—in order to recruit and retain the voluntary force, then how would we deal with that as we would be required to up the ante necessarily in time of conflict, God forbid.

So those are some of the thing we will look at. And we have a proposal of my good colleague from California about a GI bill with a trigger provision to allow the President to activate a program. And I'm sure he will share with us the reasons for that. I have a concern about that simply because of things that could arise in the administration of a President, especially in an election year, and a determination of a need for that program might be made, I think, regardless of the evidence to support such a decision. Because, as we know, it is a highly attractive thing in the gut but somebody has to pay for it and it's either going to be the VA or the DOD. And I notice each of them would like the other one to pay for it.

So those are the things we'll kick around today.

The witnesses, first, Larry Korb, Assist—excuse me, Al, did you have a statement you might wish to make?

I want to defer to my good colleague, the ranking minority member of this committee and a very, very able ally and friend.

Senator CRANSTON. Thank you very much, Al. I have a very brief statement.

Good morning to each and all of you. I am delighted to join in welcoming you to this hearing.

First, I want to thank you, Al, for your courtesy and cooperation in adding to our hearing agenda S. 9, the proposed GI Bill Benefits Increase Act of 1983.

As you know, I feel strongly that the committee should consider enactment of a GI bill rate increase this year. By April 1, 1984, the date on which the rate increase in S. 9 would become effective, 3½ years will have passed since the last increase was enacted in October of 1980. The increase in the CPI and in the cost of education have increased substantially since then and have seriously eroded the value of the GI bill dollar.

As we consider the merits of the GI bill increase we should look as well at the need for an emergency retraining and on-job training program for veterans along the lines proposed at our March 1 meeting on budget recommendations and set forth in the additional views Senators Randolph, DeConcini, Matsunaga, and Mitchell and I filed with our budget report.

I was delighted that the committee supported, 10 to 0, my motion to add the funds necessary to permit us the latitude to consider these items. I realize the decisions as to which way or ways to proceed may not be easy, but I assure you, Mr. Chairman, that I want and intend to work very closely and cooperatively with you as we explore these areas.

I hope we can work together to develop a joint initiative.

Second, this marks the third hearing since 1980 that this committee has conducted on GI bill legislation for the All-Volunteer Force. I wish once again to underscore my strong belief in the importance of educational benefits as a tool to encourage recruitment and retention in the military. However, in light of the recent experience of all four of the military service branches in recruitment and retention, of the quantity and quality of young men and women needed to support our national defense on active duty as well as in the reserves, I am not convinced that it is necessary for a new GI bill program to be in place at this time.

Nevertheless, I do not believe we should wait until these successes disappear—as they easily could if the economy picks up significantly—to consider the kind of GI bill that would then be necessary to help meet our national security needs. We shouldn't wait until its raining to fix the roof. That's why the measure I have introduced, S. 8, the proposed All-Volunteer Force Educational Assistance Act, contains a triggering mechanism to provide that the program would become effective on a date determined by the President with an opportunity for congressional disapproval of activating the program.

In this fashion we could design and enact a GI bill now, but it would not become effective until it was needed based on future recruitment and retention experiences in the military.

Mr. Chairman, at this time I ask that copies of both of the measures I've introduced and my introductory statements on them appear at an appropriate place in the hearing record.

Chairman SIMPSON. Without objection so ordered.

Senator CRANSTON. That concludes my remarks. I look forward to hearing from the witnesses this morning. Since I will unfortunately not be able to stay for the entire hearing I will be submitting written questions.

Mr. Chairman, Senator Matsunaga had planned to be here this morning to hear testimony on the peacetime GI bill issue but because of an unavoidable commitment will be unable to attend. He has asked me to request that a statement he had planned to make at the hearing be included in the record.

Senator Matsunaga has also asked that I submit a written statement that Senator Bill Armstrong had intended to deliver today on his GI bill proposal, S. 691, which was not included on today's hearing agenda.

Senator Matsunaga, who is a cosponsor of the Armstrong bill, along with Senators Cohen and Hollings, would also like to request that the committee ask today's witnesses to submit supplemental testimony addressing the provisions of S. 691. It is his belief, and I agree, that the committee should have the benefit of the views of today's witnesses on all the major GI bill proposals pending before the committee. And I therefore make that request.

Chairman **Simpson**. Yes, without objection it is so ordered.

I might add that the reason that Senator Armstrong's measure, S. 691, is not on the agenda today is that it was just introduced last week, March 7. And this hearing had been scheduled long before that. And I personally talked with Senator Armstrong yesterday and he understood fully what we were up to today. And we will certainly give him an opportunity at some later time to express himself as he so ably does.

[The text of the bills S. 8, S. 9, and S. 667, previously referred to, the introductory statements and agency reports thereon; the prepared statements of Hon. Spark M. Matsunaga, Hon. William L. Armstrong, Hon. Strom Thurmond, Hon. Jeremiah Denton, and Hon. Frank H. Murkowski, follow:]

II

98TH CONGRESS
1ST SESSION

S. 8

To amend title 38, United States Code, to provide a new educational assistance program for persons who enter the Armed Forces after a date to be determined by the President, and to repeal the December 31, 1989, termination date for the Vietnam-era GI bill, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JANUARY 26 (legislative day, JANUARY 25), 1983

Mr. CRANSTON (for himself, Mr. DECONCINI, and Mr. HART) introduced the following bill; which was read twice and referred to the Committee on Veterans' Affairs

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A BILL

To amend title 38, United States Code, to provide a new educational assistance program for persons who enter the Armed Forces after a date to be determined by the President, and to repeal the December 31, 1989, termination date for the Vietnam-era GI bill, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "All-Volunteer Force Educational Assistance Act".

SEC. 2. (a) Title 38, United States Code, is amended by inserting before chapter 31 the following new chapter:

"CHAPTER 30—ALL-VOLUNTEER FORCE EDUCATIONAL ASSISTANCE

"SUBCHAPTER I—PURPOSES; DEFINITIONS

"Sec.
"1401. Purposes.
"1402. Definitions.

"SUBCHAPTER II—BASIC EDUCATIONAL ASSISTANCE

"1411. Entitlement to basic educational assistance.
"1412. Payment of basic educational assistance.

"SUBCHAPTER III—SUPPLEMENTAL EDUCATIONAL ASSISTANCE

"1421. Entitlement to supplemental educational assistance.
"1422. Payment of supplemental educational assistance.

"SUBCHAPTER IV—GENERAL AND ADMINISTRATIVE PROVISIONS

"1431. Expiration of period during which entitlement may be used.
"1432. Suspension of educational assistance.
"1433. Exclusion of certain service for purpose of earning entitlement.
"1434. Extension to permit completion of term.
"1435. Program requirements.
"1436. Appropriations.
"1437. Additional amounts of assistance.
"1438. Reporting requirements.

"SUBCHAPTER I—PURPOSES; DEFINITIONS

"§ 1401. Purposes

"The purposes of this chapter are (1) to promote and assist the All-Volunteer Force program of the United States by providing for the establishment for men and women entering active duty of an improved program of educational assistance designed to help in the recruitment and retention of well-qualified men and women, and (2) to provide those men and women with assistance in obtaining an education that they might not otherwise be able to afford.

"§ 1402. Definitions

"For the purposes of this chapter:

"(1) The term 'basic educational assistance' means educational assistance provided under subchapter II of this chapter.

"(2) The term 'date determined by the President' means the date determined by the President pursuant to section 8(a) of the All-Volunteer Force Educational Assistance Act.

"(3) The term 'education institution' has the same meaning provided in section 1652(c) of this title.

"(4) The term 'eligible veteran' means any person who—

"(A) entered a period of active duty in the Armed Forces after the date determined by the President,

"(B) after entering such period of active duty (i) served on active duty for a period of three or more consecutive years, or (ii) served on active duty for a period of two or more consecutive years and has agreed in writing to serve and has been accepted for service in the Ready Reserve of a component of the Armed Forces for a period of four or more years, and

"(C)(i) was discharged or released from such period of active duty under conditions other than dishonorable, or (ii) has served three or more consecutive years of an obligated period of active duty which began after the date determined by the President and has not been discharged or released from such period of active duty.

“(5) The term ‘program of education’ has the same meaning provided in section 1652(b) of this title.

“(6) The term ‘supplemental educational assistance’ means educational assistance provided under subchapter III of this chapter.

“SUBCHAPTER II—BASIC EDUCATIONAL ASSISTANCE

“§ 1411. Entitlement to basic educational assistance

“An eligible veteran shall be entitled to basic educational assistance, in the maximum amount of $9,000, payable in accordance with the provisions of this chapter.

“§ 1412. Payment of basic educational assistance

“(a) The Administrator shall pay to each eligible veteran who is pursuing an approved program of education under this chapter basic educational assistance pursuant to this section to help meet, in part, the expenses of such veteran’s subsistence, tuition, fees, supplies, books, equipment, and other educational costs.

“(b) The Administrator shall pay to an eligible veteran basic educational assistance (1) at the monthly rate of $250 if such veteran is pursuing an approved program of education under this chapter on a full-time basis, or (2) at an appropriately reduced rate, as determined, under regulations which the Administrator shall prescribe, if such veteran is pursuing an approved program of education under this chapter on less than a full-time basis.

"SUBCHAPTER III—SUPPLEMENTAL EDUCATIONAL ASSISTANCE

"§ 1421. Entitlement to supplemental educational assistance

"(a) Except as provided in subsection (b) of this section, an eligible veteran who has received a secondary school diploma (or equivalency certificate) and who—

"(1)(A) has served after the date determined by the President six or more consecutive years of active duty in the Armed Forces, and (B)(i) was honorably discharged or released therefrom, or (ii) has not been discharged or released from such veteran's current period of active duty; or

"(2)(A) has served after such date four or more consecutive years of active duty but less than six, (B) has been honorably discharged or released therefrom, and (C) has agreed in writing to serve and has been accepted for service in the Ready Reserve of a component of the Armed Forces for a period of four years or more after such discharge or release,

shall be entitled to supplemental educational assistance in the amount of $375 for each consecutive month in excess of thirty-six consecutive months that such veteran served on active duty after the date determined by the President up to a maximum total amount of $13,500, payable in accordance with the provisions of this chapter.

"(b) No part of any period of active duty that occurs prior to the period of active duty by which the veteran concerned qualifies as an eligible veteran under section 1402(4) of this title shall be counted for purposes of subsection (a) of this section.

"(c) On or before the first date on which a person who has entitlement to basic educational assistance enters a period of active duty that could serve, in whole or in part, to entitle such veteran to supplemental educational assistance, the Secretary concerned shall advise such person in writing of the requirement, in subsection (a) of this section, of being honorably discharged or released in order to be eligible for supplemental educational assistance.

"§ 1422. Payment of supplemental educational assistance

"(a) The Administrator shall pay to each eligible veteran who is pursuing an approved program of education under this chapter supplemental educational assistance pursuant to this section to help meet, in part, the expenses of such veteran's subsistence, tuition, fees, supplies, books, equipment, and other educational costs.

"(b)(1) Except as provided in paragraph (2) of this subsection, the Administrator shall pay to an eligible veteran supplemental educational assistance (A) at the monthly rate of $250 if such veteran is pursuing an approved program of education under this chapter on a full-time basis, or (B) at an appropriately reduced rate, as determined under regulations which the Administrator shall prescribe, if such veteran is pursuing an approved program of education under this chapter on less than a full-time basis.

"(2) An eligible veteran who is pursuing an approved program of education under this chapter on a full-time basis shall be paid supplemental educational assistance at such monthly rate between $250 and $500 as such veteran may elect in accordance with regulations which the Administrator shall prescribe. In such regulations, the Administrator, with the concurrence of the Secretary of Defense, may establish increments of assistance which the veteran may elect to be paid supplemental educational assistance as the Administrator considers necessary for efficient administration.

"(3) Supplemental educational assistance shall be paid to an eligible veteran concurrent with the payment of basic educational assistance to such veteran if such veteran so elects.

"SUBCHAPTER IV—GENERAL AND ADMINISTRATIVE PROVISIONS

"§1431. Expiration of periods during which entitlement may be used

"(a) Except as provided in subsections (b) through (d) of this section, the period during which an eligible veteran may use such veteran's entitlement to educational assistance under this chapter expires at the end of the ten-year period beginning on the date of such veteran's last discharge or release from active duty.

"(b) In the case of any eligible veteran who has been prevented, as determined by the Administrator, from pursuing a program of education under subchapter II or III of this chapter within the ten-year period prescribed by subsection (a) of this section, because—

"(1) such veteran had not met the nature of discharge requirement of such subchapter before (A) the nature of such discharge or release was changed by appropriate authority, or (B) with respect to educational assistance under subchapter II of this section, the Administrator determined, under regulations prescribed by the Administrator, that such discharge or release was under conditions other than dishonorable, or

"(2) such veteran's discharge or dismissal was, under section 3103 of this title, a bar to benefits under this title before the Administrator determined that such discharge or dismissal is not a bar to such benefits, such ten-year period shall not run during the period of time that such veteran was so prevented from pursuing such program of education.

"(c) In the case of a veteran eligible for educational assistance under the provisions of this chapter who, subsequent to such veteran's last discharge or release from active duty, was captured and held as a prisoner of war by a foreign government or power, the ten-year period described in subsection (a) of this section shall not run (1) while such veteran is so detained, or (2) during any period immediately following such veteran's release from such detention during which such veteran is hospitalized at a military, civilian, or Veterans' Administration medical facility.

"(d)(1) In the case of any person who is an eligible veteran and—

"(A) who was prevented from pursuing such veteran's chosen program of education prior to the expiration of the ten-year period for use of entitlement under this chapter otherwise applicable under this section because of a physical or mental disability (not including a condition described in subparagraph (A) of paragraph (2) of this section) which was not the result of such veteran's own willful misconduct, and

"(B) who applies for an extension of such ten-year period within one year after (i) the last day of such period, or (ii) the last day on which such veteran was so prevented from pursuing such program, whichever is later,

such ten-year period shall not run with respect to such veteran during the period of time that such veteran was so prevented from pursuing such program and such ten-year period will again begin running on the first day following such veteran's recovery from such disability on which it is reasonably feasible, as determined under regulations which the Administrator shall prescribe, for such veteran to initiate or resume pursuit of a program of education with educational assistance under this chapter.

"(2)(A) A condition referred to in paragraph (1)(A) of this subsection and in subparagraph (B) of this paragraph is an alcohol or drug dependence or abuse condition of a veteran in a case in which it is determined, under regulations which the Administrator shall prescribe for the implementation of this paragraph, that—

"(i) such veteran (I) has received recognized treatment for such condition, or (II) has participated in a program of rehabilitation for such condition, and “(ii) such condition is sufficiently under control to enable such veteran to pursue such veteran's chosen program of education under this chapter.

“(B) In the case of any person who is an eligible veteran and—

“(i) who was prevented from pursuing such veteran's chosen program of education prior to the expiration of the ten-year period for use of entitlement under this chapter otherwise applicable under this section because of a condition described in subparagraph (A) of this paragraph, and

“(ii) who applies for an extension of such ten-year period within one year after (I) the last date of the delimiting period otherwise applicable under this section, (II) the termination of the last period of such treatment or such program of rehabilitation, or (III) the date on which final regulations prescribed pursuant to subparagraph (A) of this paragraph are published in the Federal Register, whichever is the latest,

such ten-year period shall not, subject to subparagraph (C) of this paragraph, run with respect to such veteran during the period of time that such veteran was so prevented from pursuing such program and such ten-year period will again begin running on the first day, following such condition becoming sufficiently under control to enable such veteran to pursue such veteran's chosen program of education under this chapter, on which it is reasonably feasible, as determined in accordance with such regulations, for such veteran to initiate or resume pursuit of a program of education with educational assistance under this chapter.

"(C) An extension of the applicable delimiting period because of such condition shall be limited to the period of time the veteran was receiving treatment or the period of time the veteran was participating in a program of rehabilitation for such condition plus such additional length of time as the veteran demonstrates, to the satisfaction of the Administrator, that the veteran was prevented by such condition from initiating or completing such program of education, but in no event shall the extension be for more than four years.

"§ 1432. Suspension of educational assistance

"The payment of educational assistance under this chapter shall be suspended in the case of any eligible veteran who fails to serve satisfactorily in the Ready Reserve of a component of the Armed Forces during a period of Ready Reserve service that such veteran is committed to serve in connection with establishing entitlement to such assistance. The payment of such assistance shall be reinstated upon receipt of certification from the Secretary concerned that such veteran is serving satisfactorily as a member of such Ready Reserve.

"§ 1433. Exclusion of certain service for purpose of earning entitlement

"For the purpose of section 1402 of this title, the term 'active duty' does not include any period during which an individual was assigned full time by the Armed Forces to a civilian institution for a course of education which was substantially the same as established courses offered to civilians, served as a cadet or midshipman at one of the service academies, or served under the provisions of section 511(d) of title 10 pursuant to an enlistment in the Army National Guard or the Air National Guard, or as a Reserve for service in the Army Reserve, Naval Reserve, Air Force Reserve, Marine Corps Reserve, or Coast Guard Reserve.

"§ 1434. Extension to permit completion of term

"(a) If a veteran is enrolled under this chapter in an educational institution regularly operated on the quarter or semester system and the period during which such veteran may use such veteran's entitlement under this chapter would, under section 1431 of this title, expire during a quarter or semester, such period shall be extended to the termination of such quarter or semester.

"(b) If a veteran is enrolled under this chapter in an educational institution not regularly operated on the quarter or semester system and the period during which such veteran may use such veteran's entitlement under this chapter would, under section 1431 of this title, expire after a major portion of the course is completed, such period shall be extended to the end of the course or for twelve weeks, whichever is the lesser period of extension.

"§ 1435. Program requirements

"Except as otherwise provided in this chapter, the provisions of sections 1663, 1670, 1671, 1673, 1674, 1677, 1681(c), and 1683 of this title and the provisions of chapter 36 of this title, with the exception of section 1780(a)(6), shall be applicable to the provision of educational assistance under this chapter.

"§ 1436. Appropriations

"(a) Payments for entitlement earned under this chapter and payments under subsection (b) of this section shall be made from appropriations made to the Department of Defense.

"(b)(1) The Secretary of Defense shall make payments to the Administrator for all expenses incurred by the Administrator in administering this chapter.

"(2) Payments under paragraph (1) of this subsection shall be made in advance or by way of reimbursement, with necessary adjustments for overpayments and underpayments.

"§ 1437. Additional amounts of assistance

"Subject to the availability of appropriations made to the Office of the Secretary of Defense specifically for the purposes of this section, if the Secretary concerned, in accordance with regulations which the Secretary of Defense may prescribe to implement this section, determines it to be necessary and appropriate in order to obtain or retain the services of sufficient numbers of qualified active-duty personnel in specific categories of such personnel, such Secretary concerned may, if the Secretary of Defense approves in the cases of particular categories, increase the amount of basic or supplemental educational assistance, or both, payable on account of active-duty service performed in one or more such categories and the monthly rate or rates at which such assistance may be paid.

"§ 1438. Reporting requirements

"The Secretary of Defense and the Administrator, not less than once every two years following the date determined by the President, shall submit to the Congress separate reports on the operation of the programs provided for in this chapter and shall include in each such report (1) information indicating (A) the extent to which the benefit levels provided under this chapter are adequate to achieve the recruitment and retention purposes of this chapter and of providing an adequate level of financial assistance to help meet the cost of pursuing a program of education, and (B) whether it is necessary for the purposes of maintaining adequate levels of well-qualified active-duty personnel in the Armed Forces to continue to offer the opportunity for educational assistance under this chapter to persons who have not yet entered active-duty service, and (2) such recommendations for administrative or legislative changes regarding the provision of educational assistance under this chapter as the Secretary or Administrator, respectively, consider appropriate.".

(b) The tables of chapters at the beginning of such title and at the beginning of part III of such title are each amended by inserting above the item relating to chapter 31 the following new item:

"30. All-Volunteer Force Educational Assistance .... 1401".

SEC. 3. Section 1508(f)(1) of title 38, United States Code, is amended—

(1) in subparagraph (A), by inserting "30 or" before "34" the first place it appears and striking out "chapter 34" the second place it appears and inserting in lieu thereof "either chapter 30 or chapter 34"; and

(2) in subparagraph (B), by inserting "30 or" before "34".

SEC. 4. Section 1623 of title 38, United States Code, is amended by adding at the end the following new subsection:

"(e) In the event the participant becomes entitled to basic educational assistance under subchapter II of chapter 30 of this title, such participant shall be disenrolled from the program under this chapter effective the last day of the month in which such participant becomes entitled to such assistance.".

SEC. 5. Section 1795 of title 38, United States Code, is amended—

(1) in subsection (b)—

(A) by striking out "of this section" and inserting in lieu thereof "of subsection (a) of this section or under chapter 30 of this title"; and

(B) by inserting at the end the following new sentence: "Computations made for the purposes of this subsection with respect to chapter 30 of this title shall be based on counting one forty-eighth of the maximum total amount of assistance payable under such chapter 30 of this title as one month of assistance under such chapter."; and

(2) by adding at the end the following new subsection:

"(c)(1) A person who is an eligible veteran as defined in section 1402(4) of this title for purposes of chapter 30 of this title shall not be afforded educational assistance under any provision of chapter 34, 35, or 36 of this title.

"(2) The entitlement of any person to educational assistance under chapter 30 of this title shall be reduced by $1 for each dollar of assistance that has been paid to such person under chapter 34, 35, or 36 of this title.".

SEC. 6. Section 408 of the Veterans' Education and Employment Assistance Act of 1976 (Public Law 94-502, 90 Stat. 2383, 2397) is amended—

(1) in subsection (a), by (A) striking out "(a)(1)" and (B) striking out all after "December 31, 1981" and inserting a period in lieu thereof; and

(2) by striking out subsection (b) in its entirety.

SEC. 7. (a) Section 1662 is amended by striking out subsection (e) in its entirety.

(b)(1) Chapter 34 is amended by adding at the end the following new section:

"§ 1694. Reimbursement by the Secretary of Defense

"The Secretary of Defense shall reimburse the Administrator for all amounts of educational or training assistance allowances paid by the Administrator under this chapter or chapter 36 of this title after December 31, 1989.".

(2) The table of sections at the beginning of such chapter is amended by adding at the end the following new item:

"1694. Reimbursement by the Secretary of Defense.".

"SEC. 8. (a)(1) Subject to subsections (c), (d), and (f) and except as provided in subsection (e), the amendments made by sections 2 through 6 shall take effect on the date determined by the President, upon the recommendation of the Secretary of Defense, in accordance with the provisions of paragraph (2).

"(2)(A) In making a determination pursuant to paragraph (1), the President (i) shall take into account (I) the projected costs of establishing the improved program of educational assistance for men and women entering active duty in the Armed Forces that would be established under chapter 30 of title 38, United States Code (as added by section 2(a)), (II) the recruitment and retention experiences of the Armed Services in the preceding fiscal year and the projected recruitment and retention performances of the armed services for the fiscal year in which such determination is made and the next four fiscal years, and (III) other alternatives and their projected costs to enhance such recruitment and retention, and (ii) shall determine a date for the establishment of such program upon finding that the establishment of the program on such date is, in terms of the factors specified in clause (i), necessary in the national interest of the United States in order to achieve the purposes of such chapter 30.

"(B) Prior to making a recommendation under paragraph (1), the Secretary of Defense shall consult with the Administrator of Veterans' Affairs and obtain and review the recommendations of the Secretaries of the military departments in terms of the considerations specified in subparagraph (A).

"(b)(1) Subject to subsections (c) and (d) and except as provided in subsection (e), no person shall be eligible for benefits under chapter 30 of title 38, United States Code (as added by section 2(a)), who enters a period of active duty in the Armed Forces after the date determined by the President, upon the recommendation of the Secretary of Defense, in accordance with the provisions of paragraph (2), to be the date for termination of eligibility for benefits under such chapter.

"(2)(A) In making a determination pursuant to paragraph (1), the President (i) shall take into account (I) the projected costs of continuing the improved program of educational assistance established under chapter 30 of title 38, United States Code, (II) the recruitment and retention experiences of the armed services in the preceding fiscal year and the projected recruitment and retention performances of the armed services for the fiscal year in which such determination is made and the next four fiscal years, and (III) other alternatives and their projected costs to enhance such recruitment and retention, and (ii) shall determine a date on which continuation of such a program is, in terms of the factors specified in clause (i), no longer necessary in the national interest of the United States in order to achieve the purposes of such chapter 30.

"(B) Prior to making a recommendation under paragraph (1), the Secretary of Defense shall consult with the Administrator of Veterans' Affairs and obtain and review the recommendation [illegible] the Secretaries of the military departments in terms of the considerations specified in subparagraph (A).

"(c) On each December 1 after the date of the enactment of this Act through 1987, the President shall make a determination pursuant to subsection (a)(1) or subsection (b)(1), as appropriate, and shall, not later than thirty days thereafter, submit to the Committees on Armed Services and Veterans' Affairs of the House of Representatives and the Senate a report explaining the reasons for that determination. Subject to subsection (f), the President may also make such a determination on any date other than December 1.

"(d)(1) Not later than sixty days prior to a date determined by the President pursuant to subsection (a) or (b), the President shall submit to the Committees on Armed Services and Veterans' Affairs of the House of Representatives and the Senate written notice thereof, together with a report explaining the reasons for the determination.

"(2) For the purposes of computing the sixty-day period referred to in paragraph (1) and the thirty-day period referred to in subsection (c), there shall be excluded—

"(A) the days on which either House is not in session because of an adjournment of more than three days to a day certain or an adjournment of the Congress sine die, and

"(B) any Saturday and Sunday, not excluded under the preceding clause, when either House is not in session.

"(e)(1) The amendments made by sections 2 through 6 shall not take effect on the date determined pursuant to subsection (a) if, prior to such date, the House of Representatives and the Senate each adopt a resolution disapproving such determination.

"(2) The period for acquiring eligibility for benefits under chapter 30 of title 38, United States Code (as added by section 2(a)), shall not terminate on the date determined pursuant to subsection (b) if, prior to such date, the House of Representatives and the Senate each adopt a resolution disapproving such determination.

"(3) The provisions of section 1017 (b), (c), and (d) (1), (2), and (3) of the Impoundment Control Act of 1974 (Public Law 93-344; 88 Stat. 332 et seq.), shall apply to a resolution under paragraph (1) or (2) which only expresses the disapproval of the House of Representatives or the Senate of such a determination in the same manner that such provisions apply to an impoundment resolution (as defined in section 1011(4) of such Act), except that the first reference in such section 1017(b) to 'the committee' shall be deemed to be a reference to 'the Committee on Armed Services' and the references in such section 1017(b) to 'proposed deferral' shall be deemed to be references to the determination involved.

"(f) The authority of the President to make a determination pursuant to subsection (a) shall expire on December 1, 1987.".

[From the Congressional Record, vol. 129, No. 4, part II, pp. S170-S176—Senate, Jan. 26, 1983]

All-Volunteer Force Educational Assistance Act

Mr. **Cranston**. Mr. President, I am introducing today S. 8, the proposed "All-Volunteer Force Educational Assistance Act." Joining with me in introducing this legislation are Senators DeConcini and Hart.

This measure derives, with certain modifications, from the provisions of S. 417, which I introduced in the 97th Congress on February 5, 1981, and amendment No. 3623 to that measure, which I submitted for printing on September 29, 1982. It would amend title 38, United States Code, to add a new chapter 30, entitled "All-Volunteer Force Educational Assistance," which would establish a new, standby program of educational incentives designed to enhance the recruitment and retention of qualified men and women into this Nation's Armed Forces and to assist in the retention of skilled and experienced personnel in the military. This new peacetime GI bill would go into effect on a date to be determined by the President—if the Congress does not disapprove—based on a Presidential determination that initiating this new program of educational incentives is necessary in the national interest.

For some time now, there has been much interest in the enactment of a peacetime GI bill. Indeed, at the close of the 97th Congress, there were nine measures pending before the Senate Veterans' Affairs Committee, on which I am privileged to serve as the ranking minority member. Two days of hearings were held on such measures on July 22 and 23, 1981.

Mr. President, I continue to believe very strongly that educational incentives, if properly designed and implemented, can aid significantly in helping to insure the success of the All-Volunteer Force. Educational benefits—as part of a military compensation system made up of both pay and benefits—have a special, important role to play in increasing the numbers and quality of men and women we attract to and retain in the Armed Services.

TWO-TIERED BENEFIT STRUCTURE DERIVED FROM S. 417, 97TH CONGRESS

As derived from S. 417, the structure of the educational benefits under this measure—incorporating a two-tiered concept with a level of basic benefits of $9,000 essentially for all who serve 3 years of active duty and a second, higher tier, with a potential benefit of up to an additional $13,500 for service beyond 3 years—is as follows:

The first tier, the basic educational assistance program, would be available to all those entering the service—or reenlisting in the service—on or after the effective date as it would be determined by the President. Eligibility would be established by completion of 36 months of service after the date of such enlistment or reenlistment followed by discharge or release under conditions other than dishonorable or by completion of 24 months of service and entry into a commitment to serve 4 years in the Ready Reserve. The benefits in this first tier would be $9,000 in educational assistance, which would be paid at the rate of $250 a month for a maximum of 36 months' enrollment in a full-time program of approved education or training—and paid at a proportionately reduced rate for less-than-full-time training.

With respect to the commitment to serve in the Ready Reserve, the measure would provide for the suspension of educational benefits when an eligible veteran is not satisfactorily carrying out this commitment. Benefits would be reinstated upon certification that the individual had again begun satisfactorily performing his or her Ready Reserve commitment.

In addition to the basic program, this legislation would provide a higher, second tier of supplemental educational assistance. Eligibility for this supplemental assistance would be limited to those who have all of the following qualifications: Have completed the requisite service for the basic program; have a high school diploma or equivalency certificate prior to completion of the 3-year minimum service requirement; have an honorable discharge; and have served a minimum of 6 years active duty. As an alternative to the last qualification, a minimum of 4 years on active duty and a commitment to serve 4 years in the Ready Reserve would suffice. This Ready Reserve option would be subject to the same suspension and reinstatement provisions that I described in connection with the first-tier benefits.

Individuals meeting the eligibility criteria for the second tier would earn supplemental educational assistance at the rate of $375 a month for each month of continuous active-duty service beyond the 3 years required for the basic benefits.

For example, those who serve a total of 6 continuous years of active duty would earn the maximum supplemental educational assistance of $13,500 for a maximum total level of assistance of $22,500—$9,000 under the basic program and $13,500 under the supplemental. Those who serve at least a fourth year on active duty and make a commitment to serve 4 years in the Ready Reserve would earn $375 for each month of active-duty service in excess of the 36-month service requirement for basic assistance. For example, an individual who serves 5 full years on active duty and enters into a 4-year Ready Reserve commitment would earn $9,000 under the supplemental program—$375 for each of the 24 months of active duty after the first 36 months—in addition to the $9,000 under the basic program.

These supplemental benefits would generally be paid in the same way as the basic benefit—that is, at $250 a month for full-time pursuit—but could be paid at the individual's choice, at a rate of up to $500 for enrollment in a full-time program of education and be combined with the basic benefit for a total maximum monthly assistance level of $750. At the maximum $500 monthly rate, the maximum number of months for use of supplemental benefits would be 27 months, but the basic benefits would still continue for a full 36 months.

DISCRETIONARY TARGETED AUGMENTATION BY ARMED SERVICES

Finally, my proposal would provide discretion under certain circumstances, in both tiers of the program, for benefit levels to be augmented by the individual service branches, consistent with guidelines developed by the Secretary of Defense, for the purpose of helping to overcome difficulties in the recruitment or retention of specific categories of personnel where critical shortages of personnel are being experienced—such as in the combat arms area in the Army.

With respect to this augmentation authority, the approval of the Secretary of Defense would specifically be required before any branch could increase the level of benefits, and the augmentation authority would be subject to the availability of appropriations made specifically for this purpose to the Department of Defense—not those made to various services. It is my intention in these provisions, to provide the Secretary of Defense not just with the authority needed to provide for flexible recruitment and retention tools but also with the means to forestall the occurrence of costly, wasteful "recruiting wars" between the various branches of the Armed Forces and to assure that the criteria that are developed for any augmentation and any approval of specific categories for augmentation take into account the real needs of each of the services branches.

ENTITLEMENT PERIOD

With respect to both tiers of the program, individuals would generally have 10 years following discharge or release from active duty in which to use their benefits—generally the same period as under the current chapter 34 GI bill. In-service use of benefits would be permitted following completion of the applicable minimum-service requirement.

ADMINISTRATION OF PROGRAM

The VA would be charged with the responsibility of administering the program, and the administration would be similar to the administration of benefits under the current GI bill.

Every 2 years, the Secretary of Defense and the Administrator of Veterans' Affairs would be required to report to the Congress on the extent to which benefit levels are adequate to achieve the twin purposes of promoting recruitment and retention and defraying educational expenses, on the continuing necessity for the program, and on its administration.

MODIFICATIONS MADE FROM S. 417

Mr. President, I want to highlight three very significant changes that I have incorporated in this proposal that differ from my proposal in the 97th Congress. The first two of these modifications were initially proposed in amendment No. 3023 which I submitted for printing on September 29, 1982.

TRIGGERED EFFECTIVE DATE

The major impetus for enactement of a GI bill-type program has derived in large part from concerns about the failure of the Armed Forces to recruit and retain qualified individuals. At the time I introduced my measure in early 1981, recruitment and retention shortfalls in the Armed Forces were reaching emergency proportions. The four service branches had each failed to reach their recruitment goals, and retention rates were very low. The caliber of new recruits was a major concern.

However, since that time, the service branches have enjoyed a major upturn in both recruitment and retention. Secretary of Defense Weinberger announced in December 1982 that, in terms of both recruiting and retention, fiscal year 1982 was "one of the best years since the beginning of the All-Volunteer Force, was better than most years under conscription, and even surpassed the excellent results of last year." In fiscal year 1982, all four service branches met or exceeded their objectives for recruitment. The reenlistment rate was up sharply; 52 percent of those who finished first hitches in fiscal 1982 decided to reenlist—a level topping the prior year's 43-percent record which had been unmatched in peacetime history.

The final recruiting figures for fiscal year 1982 also show that the Armed Forces recruited their highest percentage of high school graduates ever. The proportion of high school graduates among new recruits rose from 68 percent in 1980—a 5-year low—to 86 percent in fiscal 1982. On military entrance exams, 87 percent of new recruits scored average or above—the best performance on the tests since 1976.

Because of the foregoing, I share concerns that others have expressed that implementation of GI bill-type benefits at this time would be premature. Moreover, Mr. President, considerable potential problems that await us down the road may undermine this current recruitment and retention success. The pool of eligible young men is projected to decline over the next decade. Competition among the military, colleges, and industry for smaller numbers of qualified and talented young men and women can be expected to intensify substantially. A significant upswing in the economy could substantially reduce the attractiveness of military service as well as encourage more individuals to leave the military when their hitches are up.

Thus, the measure I am introducing would provide now for enactment of a peacetime GI bill educational incentive program with its implementation to be triggered by the President. Under this authority, the program would become effective when the President, upon the recommendation of the Secretary of Defense made after receiving the views of the Secretaries of the military departments, would make certain specified findings—and the Congress did not disagree—that the program is necessary to assist in meeting recruitment and retention goals. After Presidential notice to the Congress 60 days before invoking the trigger, Congress by resolution—adopted by each House under an expedited consideration process modeled on the Budget Act expedited process for impoundment resolutions—could disapprove the establishment of the program. In this way, although a standby program would be on the books, it would not become effective until there was a consensus that it was needed. In addition my measure would provide for the program to be "triggered off" by the same procedure when the need for it as a recruitment and retention device was found by the President to be no longer necessary.

The provision for a congressional role in the making of these determinations is very important, Mr. President. It seems to me that what essentially is involved here would be a type of delegation by the Congress to the President of a legislative decision. It is the province of the Congress to establish effective dates for programs. This is a very important responsibility, especially where large expenditures are at stake, as they are here. Hence, as a matter of fiscal and legislative prudence and consistence with the Budget Act, Congress should be guaranteed a fair opportunity to participate in making, and, if it wishes, to disapprove of, any triggering determination by the President.

This congressional participation is fundamental to the standby approach I am proposing. Without an assured congressional role, I believe this would be an unwise and possibly unconstitutional delegation of legislative branch power to the executive branch.

Mr. President, this triggering mechanism is designed to take a forward-looking approach to the issues of providing for our national defense in the years to come. It recognizes the current and likely future recruitment and retention situation and the concerns about both the cost effectiveness and recruitment and retention and educational effectiveness of a GI bill at this time. I believe it strikes the appropriate balance among these considerations.

DEPARTMENT OF DEFENSE FUNDING

The bill I am introducing also would make another fundamental modification to the approach in the original proposal I made in S. 417 last year. As proposed in amendment No. 3623, S. 8 would provide that all benefits are to be funded from appropriations to the Department of Defense. I came to this conclusion in September 1981, when preparing for a markup, which was ultimately canceled, of educational incentive legislation by the Veterans' Affairs Committee, and circulated such an amendment to committee members in preparation for that markup. The bill I am introducing today would make clear that Department of Defense funds are to be used to cover the costs of administration as well as paying benefits.

This basis for taking the approach is my conviction that the cost of these benefits must be considered in the context of their rightful place in our budgetary process—as a direct and continuing cost of providing for our national defense. Since what is at stake is essentially a recruitment and retention device—rather than a readjustment benefit—the Department of Defense should bear the costs of the program.

ELIMINATION OF AUTHORITY FOR TRANSFER TO DEPENDENTS

The third major modification in the measure I am introducing today is the elimination of the authority I had proposed in S. 417 to permit a service member to transfer his or her unused benefits to a spouse or a child. As my colleagues may recall, S. 417 would have made transferability available on a discretionary basis in order to help overcome recruitment and retention problems as to specific categories of personnel.

However, based on the preliminary results of a test of this type of benefits in terms of cost and its effectiveness as a recruitment and retention device, I do not at this time support transferability as an element in an All-Volunteer GI bill.

The tests conducted by the Armed Forces indicated that transferability has limited, if any, effectiveness as a recruitment device. Although it showed potential for some positive effect in terms of its value as a retention device, its attractiveness was confined primarily to service members who were officers—an area where retention problems are minimal.

Moreover, Mr. President, transferability could be a very expensive component of a new GI bill program since it could be expected that all or most of service members with remaining entitlement to benefits would transfer them to their children and spouses. Many individuals who remain on active duty well beyond their initial periods of enlistment make the service their career and stay in the military in order to establish eligibility for retirement benefits—benefits which can be in themselves a very significant retention incentive. Hence, the cost-effectiveness of providing substantial educational incentives in the form of transferability is questionable.

Finally, there are concerns that providing for transfer to dependents might very well undercut in the long run the recruitment purposes of a program of educational incentives. By virtue of providing educational benefits to dependents—individuals who have made no commitment to military service—it could reduce the incentive to enter the service among the pool of potential eligibles.

Thus, Mr. President, in light of these factors, I have decided to delete this authority from the proposal I am introducing at this time.

PROMOTION OF RECRUITMENT AND RETENTION

Mr. President, the goals of promoting recruitment and retention in the military would be served by this legislation in a variety of ways. First, the benefits would encourage many individuals to enlist in the military for the first time. Recruiters would welcome this powerful tool to encourage people to enlist in order to finance their educations through military service.

Second, this educational program is designed to give major encouragement to entrants into military service to complete their initial terms of service. The costs to the military are very high when military personnel—especially first term personnel—fail to complete enlistments. Military dropouts, like school dropouts, are very expensive for society. The armed services must make a large outlay of funds to train and pay a new recruit but realize little return on that investment when the enlistee fails to complete his or her term of service.

This bill would deal with the problem of first term retention in two ways. Most important, no benefits would accrue to a person who fails to complete the 3-year minimum service requirement, or, in the case of the Ready Reserve option, fails to complete 2 years of active duty and to enter into a 4-year Reserve commitment.

Also, the bill would encourage the enlistment of high school graduates—since only a high school graduate will be eligible for both the basic as well as the supplemental educational assistance benefits—and, as I noted previously, experience has shown that high school graduates are far more likely to complete their initial terms of service than are nonhigh school graduates.

Third, as to longer term retention or reenlistment, this educational assistance program would provide major incentives for active duty personnel to remain in the military. Current active duty personnel will have a very substantial incentive to reenlist in order to begin to earn the benefits which would be made available under the new program. Additionally, the program is designed to become increasingly attractive beyond the initial 3-year term of service during which the basic benefits are earned and would, therefore, encourage individuals to remain in the service for progressively longer periods.

In particular, the program would encourage service personnel to serve for up to 6 years in order to earn maximum entitlement to the higher, supplemental educational assistance benefits.

Fourth, as I have noted, by permitting the service branches, under the supervision of the Secretary of Defense selectively to augment benefit levels, the proposal provides flexibility and ample latitude to permit each of the services to target on recruitment and retention needs for specific personnel and skills while seeking to avoid costly and inequitable competition among the services.

REPEAL OF THE 1989 TERMINATION DATE

Finally, Mr. President, I want to make special mention of another provision in this measure—the one to repeal the 1989 termination date for the current Vietnam-era GI bill. This provision is identical to that which the Senate passed on September 24, 1982, in section 204 of H.R. 6782, the proposed "Veterans Compensation, Education, and Employment Amendments of 1982," but which the House would not accept last year.

Under the current GI bill, carried out under chapter 34, no educational assistance benefits may be paid after December 31, 1989. This termination date, which was added to chapter 34 in 1976 by Public Law 95-202, was designed to permit those who entered the service prior to December 31, 1976—the general termination date for entry into the service in order to aquire eligibility for current GI bill benefits—to complete their initial enlistments and then have a 10-year period in which to use their GI bill benefits.

For some time now I have been concerned by reports from persons now on active duty with eligibility for the current GI bill suggesting that they will leave the service in order to utilize their GI bill benefits prior to the 1989 termination date. According to testimony presented by the Department of Defense at a hearing before the Senate Veterans' Affairs Committee last July 28, all the military departments believe that if the 1989 termination date is not extended, some service member will elect to separate early in order to use their earned benefits. Survey evidence indicates that 41 percent of third term personnel leaving the Navy report losing GI bill benefits as one of the most important factors in their decision to leave the services. That is a principal reason why the Department of Defense supported section 204 of the Senate-passed H.R. 6782 last year.

According to the Department of Defense, there are still over 800,000 service members on active duty who entered the service prior to 1977 and who thus have eligibility for the current chapter 34 GI bill. To the extent that these experienced individuals elect to leave the service early in order to use their GI bill benefits, the military incurs undue costs because of the need to recruit and train replacements. In addition, the replacement of senior personnel with more junior personnel reduces the effectiveness and readiness of the Armed Forces.

In the cases of those who choose to remain on active duty and thereby lose the opportunity to make full use of the benefits to which they are entitled, it seems to me to be very unfair to penalize them by cutting short or eliminating their periods of eligibility because they sought to fulfill a greater obligation of service to the Nation.

Thus, the bill I am introducing today would repeal section 1662(e) of title 38, the provision which establishes the December 31, 1989, termination date. It would thus generally provide all members of the service—as well as those who left service after December 31, 1979—who are entitled to GI bill benefits with a full 10-year period from the date of their separation from service to complete their educations under the current chapter 34 GI bill. I have taken the position of recommending this full 10-year period approach, rather than my prior proposal for a modified delimiting period, which passed the Senate in 1980 but which also was not accepted by the House and which was included in my bill, S. 417, last Congress, in recognition of the Department of Defense's and VA's current position of support for such a delimiting period paralleling current law.

Because the major underlying purpose for repealing the termination date is to provide a retention incentive for the armed services, rather than a readjustment benefit for veterans, the bill would provide that the Department of Defense would bear the full responsibility for the cost of all educational and training benefits paid after December 31, 1989. Thus as did the Senate-passed provision in H.R. 6782, S. 8

would require the Department of Defense to reimburse the VA for all costs incurred—for benefits and administration—after that date.

COST ESTIMATE

Mr. President, as is the case with respect to virtually all proposals for a peacetime GI bill, the costs are not insignificant. According to preliminary estimates by the Congressional Budget Office on the predecessor bill, S. 417, the costs in the first full year in which basic benefits would be paid would be $46.4 million. Subsequently, by 1995 that cost would rise to a "steady state" cost of around $1 billion. However, I should point out that since eligibility for these benefits would not begin to be established until after the President triggers on the program and benefits would not actually begin to be paid until 2 years after that date, the earliest time at which costs could begin would be fiscal year 1986.

I want to stress that these are preliminary cost estimates and are subject to revision and refinement. As more accurate estimates are developed, I will share them with my colleagues.

CONCLUSION

Mr. President, as I have noted, S. 8 is designed to contribute to the recruitment and retention of well-qualified personnel in the All-Volunteer Force, and I believe it is fashioned in such a way as to do so in an equitable, efficient, and cost-effective manner. I believe that the triggered approach to these benefits is essential since, as I noted, I have concluded that the outright restoration of GI bill-type benefits at this time is premature. However, I continue to believe strongly in the value of educational incentives to enhance recruitment and retention in the Armed Forces and as a sound investment in the future of our Nation. I also fully concur with the sentiment that one does not "fix the roof when it's raining" and that the time to address the issues involved in educational incentives and their relationship to the needs of the All-Volunteer Force is now—not when, and if, recruitment and retention problems again reach emergency proportions.

This measure is thus designed to provide a progressive approach to issues involved in providing for our national defense in the years to come. It recognizes the current and likely future recruitment and retention situations and the concerns about both the cost effectiveness and general effectiveness of a GI bill. As I indicated earlier, I believe it strikes the appropriate balance among these considerations.

* * * * * * *

II

98TH CONGRESS
1ST SESSION

S. 9

To amend title 38, United States Code, to provide a 15 per centum increase in the rates of educational and training assistance allowances under the GI bill and in the rates of subsistence allowances under the Veterans' Administration rehabilitation program for service-connected disabled veterans.

IN THE SENATE OF THE UNITED STATES

JANUARY 26 (legislative day, JANUARY 25), 1983

Mr. CRANSTON (for himself, Mr. MATSUNAGA, and Mr. DECONCINI) introduced the following bill; which was read twice and referred to the Committee on Veterans' Affairs

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A BILL

To amend title 38, United States Code, to provide a 15 per centum increase in the rates of educational and training assistance allowances under the GI bill and in the rates of subsistence allowances under the Veterans' Administration rehabilitation program for service-connected disabled veterans.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "GI Bill Benefits Increase Act of 1983".

TITLE I—GI BILL RATE INCREASES

SEC. 101. Chapter 34 of title 38, United States Code, is amended—

(1) by amending the table contained in paragraph (1) of section 1682(a) to read as follows:

"Column I	Column II	Column III	Column IV	Column V
Type of program	No dependents	One dependent	Two dependents	More than two dependents
				The amount in column IV, plus the following for each dependent in excess of two:
Institutional:				
Full-time	$393	$468	$533	$33
Three-quarter-time	295	350	400	25
Half-time	196	234	266	17
Cooperative	317	371	422	24";

(2) by striking out "$342" in section 1682(b) and inserting in lieu thereof "$393";

(3) by amending the table contained in paragraph (2) of section 1862(c) to read as follows:

"Column I	Column II	Column III	Column IV	Column V
Basis	No dependents	One dependent	Two dependents	More than two dependents
				The amount in column IV, plus the following for each dependent in excess of two:
Full-time	$317	$371	$422	$24
Three-quarter-time	238	278	316	18
Half-time	158	186	211	12";

and

(4) by striking out "$76" and "$911" in section 1692(b) and inserting in lieu thereof "$87" and "$1,047", respectively.

Sec. 102. Chapter 35 of such title is amended—

(1) by striking out "$276" in section 1732(b) and inserting in lieu thereof "$317"; and

(2) by striking out "$342", "$108", "$108", and "$11.44" in section 1742(a) and inserting in lieu thereof "$393", "$124", "$124", and "$13.15", respectively.

Sec. 103. Chapter 36 of such title is amended—

(1) by amending subsection (b) of section 1774 to read as follows:

"(b) The allowance for administrative expenses incurred pursuant to subsection (a) of this section shall be paid in accordance with the following formula:

"Total salary cost reimbursable under this section	Allowable for administrative expense
$5,000 or less	$796.
Over $5,000 but not exceeding $10,000.	$1,434.
Over $10,000 but not exceeding $35,000.	$1,434 for the first $10,000, plus $1,328 for each additional $5,000 or fraction thereof.
Over $35,000 but not exceeding $40,000.	$8,680.
Over $40,000 but not exceeding $75,000.	$8,680 for the first $40,000, plus $1,148 for each additional $5,000 or fraction thereof.
Over $75,000 but not exceeding $80,000.	$17,214.
Over $80,000	$17,214 for the first $80,000, plus $1,002 for each additional $5,000 or fraction thereof.";

(2) by striking out "$7" and "$11" in section 1784(c) and inserting in lieu thereof "$8" and "$12.50", respectively;

(3) by striking out "$342" in section 1786(a)(2) and inserting in lieu thereof "$393";

(4) by amending the table contained in paragraph (1) of section 1787(b) to read as follows:

"Column I	Column II	Column III	Column IV	Column V
Periods of training	No dependents	One dependent	Two dependents	More than two dependents
				The amount in column IV, plus the following for each dependent in excess of two:
First 6 months	$286	$320	$350	$14
Second 6 months	213	249	279	14
Third 6 months	142	178	207	14
Fourth and any succeeding 6-month period.	71	105	136	14";

and

(5) by striking out "342" in section 1798(b)(3) and inserting in lieu thereof "$393".

TITLE II—REHABILITATION SUBSISTENCE ALLOWANCE RATE INCREASE

SEC. 201. Chapter 31 of such title is amended by amending the table contained in section 1508(b) to read as follows:

"Column I	Column II	Column III	Column IV	Column V
Type of program	No dependents	One dependent	Two dependents	More than two dependents
				The amount in column IV, plus the following for each dependent in excess of two:
Institutional training:				
Full-time	$324	$401	$472	$34
Three-quarter-time.	243	301	354	26
Half-time	162	201	236	17
Farm cooperative, apprentice, or other on-job training:				
Full-time	282	341	394	25
Extended evaluation:				
Full-time	324	401	472	34
Independent living training:				
Full-time	324	401	472	34
Three-quarter-time.	243	301	354	26
Half-time	162	201	236	17".

TITLE III—EFFECTIVE DATE

Sec. 301. (a) Subject to subsection (b), the amendments made by this Act shall take effect on October 1, 1983.

(b) If the increase in benefit amounts payable under title II of the Social Security Act that would take effect pursuant to section 215(i) of such Act on June 1, 1983, is delayed by reason of a law enacted in 1983, the effective date of the amendments made by this Act shall be delayed beyond October 1, 1983, by the same number of months as such increase is so delayed.

[From the Congressional Record, vol 129, No 4, part II, pp. S176-S179—Senate, Jan. 26, 1983]

GI BILL BENEFITS INCREASE ACT OF 1983

Mr. **CRANSTON**. Mr. President, I am introducing S. 9, the proposed GI Bill Benefits Increase Act of 1983. This measure, in which Senators Matsunaga and DeConcini have joined with me as original cosponsors would provide for a 15-percent cost-of-living increase in rates of VA educational and training assistance allowances—popularly known as GI bill benefits—and VA rehabilitation subsistence allowances. This 15-percent increase would become effective on October 1, 1983, or, in the event that the Congress enacts legislation delaying the cost-of-living adjustments scheduled for June 1 of this year, it would become effective the same number of months after October 1, 1983, as the social security COLA is postponed by legislation.

Mr. President, it is important to understand that GI bill benefits are not automatically increased each year. They are not indexed to the Consumer Price Index—CPI—or any other measure of increases in the cost of living or cost of education. They have, since the enactment 17 years ago in 1966 of the current, so-called Vietnam-era GI bill been increased only seven times.

Furthermore, it should be noted that when the current GI bill was enacted the rate of benefits paid to veterans of the Vietnam-era enrolled in training was actually less than the rate of benefits paid to veterans who trained under the Korean conflict GI bill—$100 per month for a single Vietnam-era veteran in full-time institutional training in 1966 compared to $110 a month for a similarly situated Korean-conflict veteran in 1952.

When I first came to the Senate in 1969, the GI bill benefit for a single veteran in full-time training was $130 monthly. In 1970, legislation I authored in the Senate, enacted as Public Law 92-219, increased the benefit to $175 monthly. Since that time, the benefits have been increased by just over 95 percent—to $342 a month. However, over the same period, the CPI has increased by more than one and a half times that—by more than 158 percent.

The last time that GI bill benefits were increased was the two-step, 10-percent increase made by Public Law 96-466. A 5-percent increase took effect on October 1, 1980, and the second 5 percent, on January 1, 1981. This two-step approach was necessary because the allocation to the Committee on Veterans' Affairs for entitlement programs under the congressional budget for fiscal year 1981 did not make sufficient provision for the cost of making the full 10-percent increase effective on October 1, 1980.

The increase in the CPI from October 1980 through November 1982 has been 15.6 percent; since January 1981, the increase has been 12.7 percent. Based on economic projections of increases in the CPI through the third quarter of this year—the earliest the proposed increased rates would be effective—the CPI will have risen between 21 to 22 percent since the first step of the previous increase in October 1980 and between 18 to 19 percent since the second step in January 1981. It should be stressed that the 1980-81 increase did not begin to represent an increase that made up for the effects of inflation since the time of the prior increase in October 1977; over that period of time—October 1977 to October 1980—the rise in the CPI was 37.6 percent.

Mr. President, we should not permit the value of the GI bill dollar to continue to be eroded so substantially by increases in the cost of living. Veterans and other eligible persons—the dependents of veterans with service-connected disabilities rated totally and permanently disabling and the survivors of those who died from service-connected causes—who are struggling to complete schooling must be given some fair assurance that their benefits will not be so greatly deflated.

Those now enrolled in training and receiving assistance from the VA—and during this fiscal year, more than 800,000 individuals are expected to be using GI bill benefits—are primarily veterans of the Vietnam era. The number of Vietnam-era veterans in training or education programs in this fiscal year is 692,100 or about 85 percent of the total number of individuals receiving VA assistance. More than 89,000 of the trainees are surviving or dependent children and spouses. Still others—30,040—are service-connected disabled veterans participating in Veterans' Administration programs of vocational rehabilitation.

Some of these veterans enrolled in education program are those very Vietnam-era veterans on whose behalf the 97th Congress enacted—based on a proposal I initially made—the so-called targeted delimiting date extension. As my colleagues may recall, this extension was enacted so that Vietnam-era veterans, regardless of their discharge dates, who are still experiencing difficulties in making the transition from military to civilian life—particularly those who are unemployed, underemployed, unskilled, or educationally disadvantaged—would have one last opportunity to utilize effectively their GI bill entitlements. According to CBO estimates at the time of enactment of the targeted delimiting date, 38,900 Vietnam-era veterans are expected to train under their authority. To fail to insure that the rates of educational assistance they receive are adequate would effectively preclude many of them from taking advantage of this last chance at enhancing their job skills.

Based on a preliminary Congressional Budget Office analysis, the cost of providing a 15-percent cost-of-living increase would be $350 million in fiscal year 1984, $400 million in fiscal year 1985, $355 million in fiscal year 1986, $275 million in fiscal year 1987, and $215 million in fiscal year 1988. I should point out that the cost figure for fiscal year 1984 assumes an October 1, 1983, effective date. If that effective date were delayed as provided for in the contingency-delay provision in this bill—which mandates a delay of the same number of months, if any, that this year's social security cost-of-living adjustment is delayed—that cost would, of course, be substantially less. The National Commission on Social Security, as we all know, has recommended the enactment of legislation to delay the social security COLA by 6 months.

It is estimated by CBO that these increases would affect about 600,000 trainees in fiscal year 1984. This number declines rapidly—to about 450,000 in fiscal year 1985—and continues its decline as the number of eligibles reach the expiration of their delimiting periods or complete their training.

So that my colleagues may understand the effect of this increase on individual veterans, a 15-percent increase would raise monthly payments for a single veteran in full-time GI bill training from $342 to $393 and for a married veteran with two children from $493 to $566. Under the VA's rehabilitation program for service-connected disabled veterans, the full-time monthly subsistence allowance would rise from $282 to $324 for a single veteran and from $441 to $506 for a married veteran with two children. In calculating these rates, it should be noted that, consistent with the manner in which increased rates of VA compensation were calculated last year in Public Law 97-306, amounts have been rounded down to the next lower dollar.

Mr. President, I want to point out that my proposal would also provide for a 15-percent increase in what is known as the reporting fee. This is the amount that the VA pays to educational institutions for each student receiving GI bill assistance in order to help defray the cost to the institution of processing the often extensive paperwork required by the VA to ascertain the student's enrollment and attendance and the school's approval for GI bill benefits.

At this time, the VA reimburses schools $7 for each veteran-enrollee and $11 for each veteran-enrollee who is in receipt of advance payments. My proposal would increase these benefits—benefits last increased more than 5 years ago by Public Law 95-202—to $8 and $12.50, respectively.

CONCLUSION

I recognize fully that these are difficult times for many Americans. Jobs are difficult, and in many cases nearly impossible to find; bills and debts are mounting up and hard to pay; and even the costs of basic necessities stay discouragingly high.

But, Mr. President, we should not let that prevent us from taking the steps necessary to insure that those veterans of the Vietnam era, those children and spouses of veterans who made enormous sacrifices, and those veterans with disabilities incurred in service receive a fair measure of the assistance they are owed. I urge all of my colleagues to join me in this initiative.

Mr. President, I ask unanimous consent that at this time there be printed in the Record a document showing existing rates of VA educational and training assistance and vocational rehabilitation subsistence allowances and the rates of such allowances as they would be under my proposal, along with a copy of the bill.

There being no objection, the material was ordered to be printed in the Record, as follows:

COMPARISON OF RATES OF BENEFITS UNDER EXISTING LAW AND BENEFITS AS PROPOSED TO BE INCREASED BY S. 9, THE GI BILL BENEFITS INCREASE ACT OF 1983

Type of program	Existing law				S. 9			
	No dependents	1 dependent	2 dependents	Each additional dependent	No dependents	1 dependents	2 dependents	Each additional dependent
Educational assistance allowances:								
Institutional:								
Full time	$342	$407	$464	$29	$393	$468	$533	$33
Three quarter time	257	305	348	22	295	350	400	25
Half time	171	204	232	15	196	234	266	17
Cooperative	276	323	367	21	317	371	422	24
Farm cooperative:								
Full time	276	323	367	21	317	371	422	24
Three quarter time	207	242	275	16	238	278	316	18
Half time	138	162	184	11	158	186	211	12
On-job and apprenticeship training allowances:								
1st 6 mo	249	279	305	13	286	320	350	14
2d 6 mo	186	217	243	13	213	249	279	14
3d 6 mo	124	155	180	13	142	178	207	14
4th and any succeeding 6 mo periods	62	92	119	13	71	105	136	14
Rehabilitation subsistence allowances:								
Institutional or independent living:								
Full time	282	349	411	30	324	401	472	34
Three quarter time	212	262	308	23	243	301	354	26
Half time	141	175	206	15	162	201	236	17
Farm co-op, apprenticeship or other OJT: Full time	246	297	343	22	282	341	394	25
Extended evaluation: Full time	282	349	411	30	342	401	472	34

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II

98TH CONGRESS
1ST SESSION

S. 667

To enhance the benefits available under the contributory education program and to eliminate the termination date for the GI bill education program, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MARCH 3 (legislative day, FEBRUARY 23), 1983

Mr. SIMPSON introduced the following bill; which was read twice and referred to the Committee on Veterans' Affairs

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A BILL

To enhance the benefits available under the contributory education program and to eliminate the termination date for the GI bill education program, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, except as otherwise specifically provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to or repeal of a section or other provision, the reference shall be considered to be made to a section or other provision of title 38, United States Code.

SEC. 2. Section 1622 is amended—

(1) by striking out "Post-Vietnam Era Veterans Education Account" in subsection (a) and inserting in lieu thereof "Servicepersons Account for Veterans' Education";

(2) by striking out "$2" in subsection (b) and inserting in lieu thereof "$3";

(3) by adding at the end of subsection (b) the following new sentence: "Individuals participating in this program by virtue of section 903 of the Department of Defense Authorization Act, 1981 (Public Law 96–342, 10 U.S.C. 2141 note), shall be entitled to matching funds at the rate of $2 for each $1 contributed by the Secre[illegible] of Defense."; and

(4) by adding at the end the following new subsection:

"(f)(1) Contributions made to the fund by a participant on and after October 1, 1983, shall draw simple interest (at a rate one percent above the rate determined semiannually by the Secretary of the Treasury for delinquent payments) from the date the contribution is made until such time as the participant commences utilizing the benefits of this chapter. Interest shall accrue on and after October 1, 1983, on contributions in the fund as of that date where the participant has not made use of any benefits, but in no event may interest be paid on any contributions beyond 7 years after the participant's last discharge or release from active duty.

"(2) No interest shall be paid on any contribution where (A) the participant discontinues the program and withdraws all contributions; (B) the participant is discharged or released from active duty under dishonorable conditions; or (C) the contributions are made on behalf of the participant by a military service. In the case of a participant who dies without having utilized any benefits, interest shall be paid from October 1, 1983, or such later date when the participant commenced contributing to the fund, up to the date of the participant's death, but in no event beyond 5 years after the participant's last discharge or release from active duty.

"(3) Any accrued interest in the participant's account at the time the participant commences utilizing benefits shall be paid to the participant in a lump sum from funds provided by the Department of Defense.".

SEC. 3. (a) Section 1631 is amended—

(1) by striking out "3" in subsection (a)(2) and inserting in lieu thereof "4";

(2) by amending subsection (a)(2) by adding at the end the following new sentence: "In computing the monthly payment for individuals participating in the program established by section 903 of the Department of Defense Authorization Act, 1981 (Public Law 96–

342, 10 U.S.C. 2141 note), the multiplication factor shall be 3.";

(3) by adding at the end thereof the following new subsection:

"(d) Notwithstanding the provisions of subsection (a) of this section, the Administrator may, pursuant to regulations which the Administrator shall prescribe, authorize a shorter period for the payment of benefits where the cost of the tuition and fees and the duration of the course are such that a larger payment over a shorter period of time would be in the interest of the eligible participant and the Federal Government."; and

(4) by amending the catchline of such section to read as follows:

"§ 1631. Entitlement; payment of benefits".

(b) The item relating to such section in the table of sections at the beginning of chapter 32 is amended to read as follows:

"1631. Entitlement; payment of benefits.".

SEC. 4. (a) Section 1662 is amended by striking out subsection (e) in its entirety.

(b)(1) Subchapter IV of chapter 34 is amended by adding at the end the following new section:

"1687. Reimbursement by the Secretary of Defense

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"The Secretary of Defense shall reimburse the Administrator for all amounts of educational or training assistance allowances paid by the Administrator under this chapter or chapter 36 of this title after December 31, 1989.".

(2) The table of sections at the beginning of such chapter is amended by adding at the end the following new item:

"1687. Reimbursement by the Secretary of Defense.".

SEC. 5. (a) The items relating to chapter 32 in the table of chapters at the beginning of title 38 and the table of chapters at the beginning of part III of such title are each amended to read as follows:

"32. Servicepersons' Account for Veterans' Education .... 1601".

(b) The heading for chapter 32 is amended to read as follows:

"CHAPTER 32—SERVICEPERSONS' ACCOUNT FOR VETERANS' EDUCATION".

SEC. 6. Section 725s(a) of title 31, United States Code, is amended by amending item (84) to read as follows:

"(84) Servicepersons' Account for Veterans' Education, Veterans' Administration.".

SEC. 7. Section 903 of the Department of Defense Authorization Act, 1981 (Public Law 96-342, 10 U.S.C. 2141 note), is amended—

(1) by striking out "Post-Vietnam Era Veterans' Educational Assistance Program" in subsection (a) and

inserting in lieu thereof "Servicepersons' Account for Veterans' Education" program; and

(2) striking out "Post-Vietnam Era Veterans' Education Account" in subsections (b) and (c) each place it occurs and inserting in lieu thereof "Servicepersons' Account for Veterans' Education".

SEC. 8. The provisions of this Act shall become effective on October 1, 1983.

[From the Congressional Record, vol. 129, No. 25, pp. S2089-S2090—Senate, Mar. 3, 1983]

GI BILL EDUCATION PROGRAMS

Mr. SIMPSON. Mr. President, I am today introducing a bill which is designed to enhance the benefits available under the current contributory education program administered by the Veterans' Administration, to eliminate the termination date for the GI bill education program, and for other purposes, to be known as the proposed Veterans' Administration Education Amendments of 1983. I ask unanimous consent that this bill be printed in the RECORD. This proposed legislation is designed to fine-tune the current contributory post-Vietnam-era educational assistance program, known as VEAP with kickers, or ultra-VEAP. Contrary to some rather negative early public comment ultra-VEAP is currently doing a very good job of attracting high-quality enlistees to the Army's combat arms. The Army is not the only service authorized to use ultra-VEAP, but is the only one which has used this attractive recruiting option. The program has the advantage of allowing the Army to pay a bonus for enlisting or reenlisting, but assuring that the bonus money goes for educational expenses only. According to a recent study, these same young men and women who enlist to receive bonuses in the form of educational benefits are of a higher intelligence category than might otherwise be attracted for a cost-effective expenditure of its dollars, the Army has found ultra-VEAP to be a highly satisfactory recruitment device. The Army would not like to see it repealed. Senator Armstrong's new GI bill which he sincerely embraced during the 97th Congress, proposed to repeal ultra-VEAP and leave the Army with no competitive advantage for attracting high quality enlistees. I do feel that instead of designing a program to improve recruitment for the services, that proposal would instead create a new recruitment problem for the Army in particular.

The improvements to ultra-VEAP contained in my proposed legislation are as follows:

First, increase the matching contribution from DOD from $2 to $3. Since 1977 when VEAP was enacted, the basic educational benefit paid to a serviceperson has been $2 from the VA or DOD for every $1 the servicemember contributed. The maximum amount available for an education after an enlistment is $8,100. Many veterans use their educational benefits to study for a college degree. I propose that the matching amount contributed by DOD be raised to $3. Thus, $10,300 would be available for a veterans' education upon separation. We all are well aware that the cost of a college education moves upward annually, so assuredly this modest raise in the basic benefit for our servicemembers' educations is warranted.

Second, to pay interest on the servicemember's contribution. Currently, the servicemember's contribution to VEAP does not earn any interest. During recent times when even savings accounts have been paying relatively high interest rates, making monthly contributions to VEAP has represented a very inadequate way to save money year after year, and this has actually provided a disincentive to participate in the program. I propose to allow the serviceperson's contribution, a maximum of $2,700 by the end of an enlistment, to earn interest from the time it is deposited until the veteran starts his formal schooling for a period up to 7 years after separation from the service, the rate of interest would be determined by the Secretary of the Treasury based on the current market rate. Again, it is difficult to argue against removing such a disincentive to participate in a program as the lack of being able to receive interest earning on savings.

According to CBO estimates, these two changes would cost approximately $5 million in 1984, and about $130 million in 1995 when the program would be fully in effect. If the costs are indexed to inflation, they are estimated to be about $330 million. (That compares to over $2 billion by the same 1995 date for the Armstrong bill's costs indexed, "with kickers.") For a modest cost, a significant additional achievement might be expected of my proposal: The Army should experience a doubling in the number of its high-quality VEAP participants. This improvement in VEAP is designed to assist the Army in keeping its competitive edge during coming times when we all are aware that competition for 18 and 19 year olds will only intensify among the services, educational institutions, and the labor market.

This proposed legislation has three other provisions which are without added cost consequences for VEAP:

First, change the name of the program to "Servicepersons' Account for Veterans' Education" (SAVE). VEAP unfortunately and unfairly began with a negative image, as I previously mentioned, and I feel it would benefit from a new program title which focuses on the added benefit of earned interest on the individual's investment.

Second, allow the rate of educational benefit payout to be determined by the VA Administrator when necessary. At present, VEAP participants who wish to complete a 2-year master's program, for example, have difficulty having their benefits paid out in 2 years instead of 3. Clearly, that is a frustration we can easily remove.

Third, remove the December 31, 1989, termination date on the Vietnam-era GI bill. When VEAP was passed, Congress legislated the end of the last GI bill benefits. As a result, some career servicepersons who enlisted before 1977, and who wish to remain in the services, will lose their GI bill eligibility. The termination date is a source of great and very real concern for them. Many feel that Congress has not been equitable toward them. Some will leave the service in order to use their benefits, to the services' detriment. DOD has testified repeatedly in favor of this proposed repeal of the 1989 termination date. All of the services would feel disposed to pay the additional expenses to be required in 1990, in order to remove this source of irritation, and loss of incentive in some of their most valued personnel.

This proposed legislation would become effective October 1, 1983.

I urge all of my colleagues to consider the excellent provisions of this modest and relatively inexpensive item of proposed legislation. It seems to me to be highly appropriate for the occasion—fair and adequate.

PREPARED STATEMENT OF HON. SPARK M. MATSUNAGA, A U.S. SENATOR FROM THE STATE OF HAWAII

MR. CHAIRMAN, FIRST LET ME COMMEND YOU ON YOUR DECISION TO CONDUCT THIS HEARING ON THE NEED FOR A NEW GI BILL EDUCATIONAL ASSISTANCE PROGRAM FOR THE ALL-VOLUNTEER FORCE. IN MY JUDGMENT, IT IS IMPERATIVE THAT THE CONGRESS ANTICIPATE THE RECRUITING AND RETENTION PROBLEMS THAT THE ALL-VOLUNTEER FORCE MAY FACE IN THE NEAR FUTURE AND ACT NOW TO PREVENT THEM FROM OCCURRING; AND THEREBY AVOID REDUCTION IN COMBAT READINESS AND THE ABANDONMENT OF THE VOLUNTEER MILITARY CONCEPT.

I AM DISAPPOINTED, HOWEVER, THAT THE GI BILL PROPOSAL INTRODUCED BY SENATOR BILL ARMSTRONG AND COSPONSORED BY ME AND SENATORS BILL COHEN AND ERNEST HOLLINGS WAS NOT INCLUDED ON THE COMMITTEE'S AGENDA FOR THIS HEARING. I DO NOT KNOW HOW THIS OMISSION OCCURRED, BUT WITH THIS BEING THE ONLY HEARING THE COMMITTEE MAY HAVE ON THE GI BILL ISSUE THIS YEAR, I THINK IT WILL BE UNFORTUNATE THAT THE COMMITTEE MEMBERS WILL NOT HAVE THE OPPORTUNITY TO GAIN THE BENEFIT OF THE VIEWS OF today's witnesses on S. 691, the Armstrong-Cohen-Hollings-Matsunaga GI Bill.

I would, therefore, respectfully request that today's witnesses, particularly Dr. Korb and Mr. Hale from the Congressional Budget Office, be asked to submit to the Committee supplements to their testimony addressing the merits of S. 691. This would provide the Committee with a full record of testimony on all the major GI Bill and related proposals pending before the Committee.

Mr. Chairman, I would also ask that a statement by the Senator from Colorado, Mr. Armstrong, on S. 691 be included in the record of today's proceedings. Senator Armstrong, with whom I have worked closely on efforts to increase military pay, is one of the strongest advocates of the All-Volunteer Force in the Senate and a driving force behind the effort to establish a new GI Bill program. The Senator wanted to be here this morning to present his testimony and familiarize the Committee members with the provisions of our bill, but he was unable to do so because of another important commitment.

Mr. Chairman, I would like to take a few moments to speak on

BEHALF OF SENATORS ARMSTRONG, COHEN AND HOLLINGS ON THE PRESSING NEED TO ESTABLISH AN ALL-VOLUNTEER FORCE GI BILL.

FIRST OF ALL, WE DO NOT BELIEVE THAT THERE IS ANY DISAGREEMENT ABOUT THE FACT THAT ALL-VOLUNTEER FORCE RECRUITING AND RETENTION RATES ARE CURRENTLY AT ALL TIME HIGHS AND ARE EXPECTED TO REMAIN HIGH FOR THE NEXT COUPLE OF YEARS. I BELIEVE THAT THE CBO WILL TESTIFY LATER THIS MORNING THAT RECRUITING SUCCESS, MEASURED IN TERMS OF THE PERCENTAGES OF RECRUITS WHO ARE HIGH SCHOOL GRADUATES ARE AT OR NEAR HISTORICAL HIGHS IN ALL THE SERVICES AND ABOVE THE EXISTING CONGRESSIONAL QUALITY REQUIREMENT.

THERE IS ALSO LITTLE OR NO DISAGREEMENT OVER THE PROJECTION THAT IN THE COMING YEARS, IF CERTAIN CONDITIONS OCCUR AS PROJECTED, SUCH AS A SLOW BUT STEADY ECONOMIC RECOVERY, A SLOW DROP IN UNEMPLOYMENT, NO CHANGES IN MILITARY END STRENGTHS, AND PAY RAISES IN THE OUT-YEARS EQUAL TO THOSE IN THE PRIVATE SECTOR, THAT RECRUITING WILL CONTINUE TO MEET NUMERICAL GOALS AND ALSO EXCEED MINIMUM QUALITY REQUIREMENTS.

WE ALSO BELIEVE, MR. CHAIRMAN, THAT MOST OBSERVERS OF THE MILITARY MANPOWER SITUATION WILL AGREE THAT THERE IS THE POSSIBILITY, AS THE CBO WILL POINT UP IN ITS TESTIMONY, THAT RECRUITING PROBLEMS might develop a few years from now if things do not go as projected in terms of economic recovery and military policy. We are concerned that all of the following contingencies, or a combination of some of them, may very well cripple the efforts of the military services to recruit and retain adequate numbers and quality of personnel.

1. The economy may recover at a faster rate than now projected. Certainly, the dropping price of oil may speed that along in spite of all of the efforts of the Congress and the President to revive the economy.
2. Unemployment may fall faster than expected.
3. The Administration and the Congress may continue to cap or freeze military pay raises at levels increasingly below private sector wages.
4. Reductions may be made in recruiting resources.
5. Increases may be made in the end strengths of the military services.
6. Further limitations on the growth of the size of the career force may be implemented.

It seems that the odds are very good that economic conditions

WILL NOT FOLLOW EXACTLY THE PATH ANTICIPATED TODAY. CLEARLY, IF ECONOMIC CONDITIONS ALONE IMPROVE DRAMATICALLY OVER THE NEXT COUPLE OF YEARS AND IF THIS IS COMBINED WITH SUCCESSIVE MILITARY PAY CAPS RESULTING IN A GAP IN PAY COMPARABILITY, THE ALL-VOLUNTEER FORCE MAY WELL BE BACK IN THE SAME BOAT IT FOUND ITSELF IN IN THE LATE 1970'S -- WITH NON-COMPETITIVE PAY AND NO GI BILL PROGRAM TO ATTRACT HIGH QUALITY RECRUITS. AS THE CHIEF OF STAFF OF THE ARMY, EDWARD C. MEYER, SAID AT THAT TIME, WE HAD A "HOLLOW ARMY" WHICH WAS SEVERELY LACKING IN COMBAT READINESS.

MR. CHAIRMAN, LET'S BE HONEST ABOUT THIS SITUATION. THE DEPARTMENT OF DEFENSE CANNOT COME UP HERE AND SUPPORT THE ESTABLISHMENT OF A GI BILL FOR POLICY REASONS, EVEN THOUGH THE SERVICE CHIEFS, IF ASKED FOR THEIR PERSONAL COMMENTS, WOULD PROBABLY SUPPORT A GI BILL.

WE BELIEVE THAT SECRETARY WEINBERGER AND DR. KORB, THE DOD'S MANPOWER CHIEF, IN THEIR HEARTS KNOW THAT A GI BILL IS NEEDED NOW AND NOT LATER TO HEAD OFF POTENTIAL MANPOWER PROBLEMS WHICH LIE AHEAD FOR THE ALL-VOLUNTEER FORCE. HOWEVER, THEIRS' IS A DECISION MADE NOT ON THE BASIS OF MANPOWER NEEDS AND ON THE MERIT OF A GI BILL, but on other considerations, the most important of which is the need to concentrate defense spending on sophisticated weapons systems that the Administration believes are needed to catch up with the Soviet military threat.

Here, again, Mr. Chairman, we are putting the cart before the horse in defense policy. The Administration's defense spending priorities lie in hardware and not people. Certainly, its decision to freeze military pay this year rather than eliminate a marginally necessary weapons program and its lack of attention to operations and maintenance accounts demonstrates its lack of commitment to proper manpower and readiness. With higher deficits on the horizon for next year, what makes anyone sure that the Administration won't press for another freeze on military pay next year or at least a cap on pay increases? Mr. Chairman, we just cannot accept the rosey predictions for recruiting and retention successes in the next several years. We strongly beleive that the All-Volunteer Force is once again heading for danger if this type of thinking and this type of defense policy continues, and it looks like it will for the foreseeable future.

In the final analysis, Mr. Chairman, we believe there is widespead agreement that there is a need to prepare now for a possible future breakdown in recruiting and retention, but much disagreement on just how to accomplish this.

The DOD, as I indicated, is constrained for policy reasons to say that nothing new is needed now, that the Ultra-VEAP program can attract adequate numbers and quality of personnel for the foreseeable future. The DOD is vague on what it would propose should things take a turn for the worse in terms of manpower a couple of years from now.

Your legislation, Mr. Chairman, proposes an enhancement of the current military educational assistance program, focusing the benefit on manpower areas which need more recruiting incentive. Unfortunately, the main criticism of this proposal is that it would help recruiting to a certain extent, but exacerbate retention problems because career personnel would want to get out to use their benefit. Although we agree with your basic premise that the educational assistance program should be enhanced, we are concered that, as with Ultra-VEAP, this improved program would not prove to be sufficient if economic conditions

TURN UP RAPIDLY AND OTHER FACTORS CAUSE DECREASES IN RECRUITING AND RETENTION.

IT IS OUR STRONG BELIEF, MR. CHAIRMAN, THAT A FULL-FLEDGED GI BILL PROGRAM IS NEEDED NOW TO ENSURE THAT THE ALL-VOLUNTEER FORCE DOES NOT ONCE AGAIN ENCOUNTER THE RECRUITING AND RETENTION DIFFICULTIES OF THE LATE 1970'S. THERE ARE TWO SUCH PROPOSALS NOW PENDING BEFORE THE COMMITTEE, SENATOR CRANSTON'S BILL, S. 8, AND THE BI-PARTISAN, COMPROMISE MEASURE, S. 691, INTRODUCED BY SENATORS ARMSTRONG, COHEN, HOLLINGS AND MATSUNAGA. EITHER ONE OF THESE BILLS WOULD PROVIDE THE MILITARY SERVICES WITH A STRONG RECRUITING TOOL WHICH WOULD ENSURE THE RECRUITMENT OF ADEQUATE NUMBERS OF QUALITY PERSONNEL. OUR BILL DOES DIFFER FROM SENATOR CRANSTON'S IN SEVERAL WAYS, THE MOST IMPORTANT OF WHICH IS THE PROVISION IN THE CRANSTON BILL WHICH WOULD PERMIT THE SECRETARY OF DEFENSE TO TURN THE GI BILL ON AND OFF AS MANPOWER NEEDS CHANGE. WE ARE CONVINCED THAT WE SHOULD NOT WAIT FOR RECRUITING TO FALL OFF AND COMBAT READINESS TO BE DECREASED; ON THE CONTRARY, WE SHOULD IMPLEMENT THE GI BILL NOW TO PREVENT ANY SUCH OCCURANCES.

OUR GI BILL PROPOSAL WAS ALSO CAREFULLY DESIGNED TO ADDRESS THE GENERAL CRITICISMS OF MOST GI BILL PROPOSALS THAT WHILE THEY would increase recruitment, that increase would be offset by declines in retention. Under our bill, servicemembers may utilize their GI Bill benefits full-time without interrupting or abandoning their military careers. The Service Secretaries, at their discretion, would be permitted to offer an educational leave of absence of up to 12 months.

Our bill also addresses the criticism that broad-based GI Bill proposals do not allow flexibility to focus added incentives in manpower areas where they are needed most. A provision in S. 691 would mandate the Department of Defense to target certain personnel areas with additional GI Bill benefits.

Finally, Mr. Chairman, with respect to cost, our legislation, if enacted, would actually reduce outlays for military manpower by $34 million over the next two fiscal years even as the new GI Bill is implemented. To accomplish this, our bill would offset a portion of the cost of the GI Bill program by freezing E-1 pay for fiscal years 1984 and 1985. We really regret having to freeze E-1 pay, but in an effort to keep the cost of the GI Bill at levels which might be acceptable to the most parties, we decided to make the proposal.

Mr. Chairman, our GI Bill proposal would cost the taxpayers nothing at all during the 1983 and 1984 fiscal years, and approximately $7 million in FY 1985, $87 million in FY 1986, $167 million in FY 1987 and $247 million in FY 1988, according to the CBO.

We believe this is a modest investment in the future viability of the All-Volunteer Force and the combat readiness of our personnel in the field. We hope that this Committee, the Senate and the Congress will not be shortsighted when it comes to military manpower; we hope that the lessons of the recent past will encourage us to enact a GI Bill which will ensure that the military services will continue to meet their recruiting and retention goals far into the future.

Thank you very much, Mr. Chairman.

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PREPARED STATEMENT OF HON. WILLIAM L. ARMSTRONG, A U.S. SENATOR FROM THE STATE OF COLORADO

Mr. Chairman. Today I request the privilege of presenting a statement to today's hearing. Even though the committee has not scheduled S. 691 for this hearing, I would like for the members to be fully cognizant of this G.I. bill proposal as other legislation is being considered.

S. 691, the Veterans Education Assistance Act of 1983, is being jointly sponsored by Senators Cohen, Hollings and Matsunaga, and we have been joined by Senators Andrews, Garn, Inouye and Tsongas in our effort to enact a new G.I. bill.

The Congress has not rushed to judgement on the issue of establishing a new G.I. bill. On the contrary, we have over the past three years conducted 22 previous hearings and taken over 2,200 pages of testimony. In these exhaustive hearings before three separate committees, the Congress has heard over 250 witnesses representing an amazing array of groups and individuals interested in this program.

Over ninety percent of this voluminous testimony has been favorable to the re-instituion of an educational benefits program as the most practical and cost effective means of attracting and holding the capable young people that our armed forces need.

The Armstrong-Cohen-Hollings-Matsunaga G.I. bill is a carefully thought out compromise which blends the best features of G.I. bill proposals introduced by Senators Cohen, Hollings and myself in the 97th Congress.

Our G.I. bill provided a basic benefit of $300 a month, to be funded by the Department of Defense, to service members who complete two or more years of honorable service dating from October 1, 1983. Benefits would vest at the rate of one month of benefits for each month of honorable service, to a maximum of 36 months. A benefit of $150 a month would be provided for each month of honorable service in the Reserves or the National Guard. Service Secretaries would be permitted to supplement the basic benefit to encourage enlistments in the combat arms or in fields where critical skills are required.

Our bill also would establish a career member's supplementary educational assistance program, through which service members with ten or more years of honorable service would be permitted to contribute from $25 to $100 a month, to a maximum of $6,000, to a special education fund. After a 24-month vesting period, the service member's contribution would be matched two for one by the Department of Defense. The funds could be used either by the service member himself to supplement his G.I. bill entitlement, or be transferred by him to a spouse or a dependent child.

A third provision would permit career service members to utilize their G.I. education benefits full time without having to interrupt or abandon their military careers. The Service Secretaries, at their discretion, would be permitted to offer an education leave of absence of up to 12 months. Service members granted education leave would be required to extend their term of obligated service by two months for each month of education leave.

There may be serious disagreement about many of our defense policies, but this is a bill we can pass. The proposal not only contributes to building the strength of our armed forces through the quality of our recruits, it will have a lasting benefit in enhancing the educational level of many of our most promising young people. It is time to pass this bill while recruitment is not a problem so that we can have this program in place when recovery may make the recruitment of talented people a serious concern.

PREPARED STATEMENT OF HON. STROM THURMOND, A U.S. SENATOR FROM THE STATE OF SOUTH CAROLINA

MR. CHAIRMAN:

I am pleased to be here today to receive testimony on the several legislative proposals before the Committee which concern the educational programs provided to the Nation's Armed Service personnel and veterans.

Among the legislation which is before the Committee for consideration today are two proposals which are quite different in scope, S. 667 -- introduced by you, Mr. Chairman -- providing for the enhancement of the benefits provided under the post-Vietnam-era Veterans' Education Assistance Program, known as VEAP, and S. 8, introduced by Senator Cranston which proposes a new GI Bill education program similar to those provided to the veterans of the Vietnam-era.

Mr. Chairman, during the past several years as a result of numerous factors, the Armed Services have been able to attract, with relative ease, the quantity and quality enlistees which it requires to man the All-Volunteer Force. As a result, I believe, support in Congress has subsided, somewhat, for a new GI Bill education program to address the recruitment and retention needs of the Armed Forces.

Mr. Chairman, some of the testimony which has been submitted for today's hearing indicates that there is some question as to the efficiency and cost-effectiveness of educational programs as an incentive for recruitment and retention of quality enlistees. There appears to be evidence that other incentives, such as cash bonuses, can provide the attractiveness at less cost. These factors need to be carefully considered by this Committee, and possibly more appropriately, by the Armed Services Committee, to determine the desirability of providing educational benefits as incentives for the recruitment and retention of high quality personnel.

In the meantime, I believe it is important for the members of the All-Volunteer Force to have the opportunity to take advantage of meaningful educational benefits which can assist in their readjustment from military service to civilian life when their service is completed. I, therefore, support the provisions of your bill, Mr. Chairman, S. 667, which I believe will provide a more realistic and more useful educational benefit to those service members who are willing to contribute and to "SAVE" for their future.

Mr. Chairman, I look forward to the testimony which we will receive today from the many distinguished witnesses who will present their views.

PREPARED STATEMENT OF HON. JEREMIAH DENTON, A U.S. SENATOR FROM THE STATE OF ALABAMA

I am very impressed with the quality and care of the presentations made at this hearing. The GI bill has been and continues to be one of our major strengths for veteran benefits. Many Professionals, Business leaders, and even Senators owe their education to the GI bill.

I, along with the Administration and other Committee members, am ready to support an adequate budget for providing needed veterans care. However the reducing of inflation in 1983, provides an effective increase in living expenses and cost increases in state and community colleges are not as bad as previously reported. It is of utmost importance that we in the trenches hold the line on the budget authorization.

I want to thank the testifiers for giving their time and supporting this committee so diligently.

PREPARED STATEMENT OF HON. FRANK H. MURKOWSKI, A U.S. SENATOR FROM THE STATE OF ALASKA

GOOD MORNING, MR. CHAIRMAN.

THE COMMITTEE IS FOCUSING TODAY ON HOW CURRENT MILITARY EDUCATION BENEFITS MEET THE COUNTRY'S RECRUITMENT AND RETENTION NEEDS AND THE ADVISABILITY OF AN INCREASE IN EXISTING GI BILL EDUCATION BENEFITS THIS YEAR.

LIKE THE CHAIRMAN, I AM NOT YET CONVINCED OF THE NEED FOR A PEACE-TIME GI BILL. DURING THE LATE 1950'S AND EARLY 1960'S, EFFORTS WERE MADE IN CONGRESS TO EXTEND THE GI BILL ON A MORE PERMANENT BASIS. BOTH THE KENNEDY AND EISENHOWER ADMINISTRATION REJECTED THESE EFFORTS. IN 1959, THE DEPARTMENT OF DEFENSE OBJECTED THAT A PEACETIME GI BILL SHOULD BE DEFEATED AS IT WOULD ENCOURAGE SKILLED PERSONNEL TO LEAVE MILITARY SERVICE, NEGATE PERSONNEL RETENTION BENEFITS, AND COST UNDUE MILLIONS. IN MY OPINION, THESE ARGUMENTS STILL APPEAR TO RING TRUE.

I AM ALSO CONCERNED THAT INITIATING A PEACETIME GI BILL WOULD ELIMINATE AN IMPORTANT RECRUITMENT INCENTIVE THAT WE MAY NEED SHOULD THIS COUNTRY BE IN THE UNFORTUNATE SITUATION OF HAVING TO GO TO WAR.

THIS COUNTRY SPENT MORE THAN $38 BILLION FOR THE EDUCATION AND TRAINING OF VETERANS UNDER VARIOUS GI BILLS BETWEEN 1944 AND 1976. IT IS NOT CLEAR THAT WE CAN AFFORD ADDITIONAL LARGE EDUCATION BENEFIT EXPENSES AT A TIME WHEN DEFICITS ARE BALLOONING.

IT HAS BEEN ARGUED THAT THERE ARE MORE COST-EFFECTIVE WAYS

OF INCREASING RECRUITMENT AND PARTICULARLY RETENTION THAN BY INSTITUTING NEW EDUCATIONAL BENEFITS. I HOPE THAT THIS HEARING WILL SHED SOME DEFINITIVE LIGHT ON THIS CONTENTION.

FINALLY, THE DEPARTMENT OF DEFENSE IS CURRENTLY OPPOSED TO A NEW GI BILL. IF THE VERY AGENCY WHICH IS HELD RESPONSIBLE FOR RECRUITMENT AND RETENTION OPPOSES A GI BILL, THEN I FIND IT DIFFICULT TO JUSTIFY THE COST OR NEED FOR ONE.

ON A RELATED NOTE, I WOULD LIKE TO ADDRESS THE NEEDS OF THOSE VETERANS CURRENTLY RECEIVING VIETNAM ERA GI BILL BENEFITS. THIS COMMITTEE HAS APPROVED AN ADDITIONAL $150 MILLION FOR FY 84 FOR EITHER A VETERANS JOBS PROGRAM OR AN INCREASE IN GI BILL EDUCATION BENEFITS. SINCE THE LAST BENEFIT HIKE IN JANUARY 1981, THE CPI HAS GONE UP APPROXIMATELY 7.6% IN ANCHORAGE. UNIVERSITY OF ALASKA TUITION HAS INCREASED ABOUT 46%. ROOM AND BOARD COSTS HAVE ALSO SKYROCKETED. IT IS OBVIOUS THAT GI BENEFITS ARE NOT KEEPING UP WITH THE RISING COST OF TUITION. WE CANNOT ALLOW INFLATION AND RISING TUITION COSTS TO ERODE THE VALUE OF EXISTING GI BENEFITS TO A POINT WHERE THEY NO LONGER PROVIDE THE MEANINGFUL ASSISTANCE THEY HAVE IN THE PAST.

IT IS MY UNDERSTANDING THAT THE ADMINISTRATION PLANS TO PROPOSE A SIGNIFICANT HIKE IN EXISTING GI BENEFITS NEXT YEAR. I LOOK FORWARD TO WORKING WITH THE COMMITTEE CHAIRMAN TO MAKE THESE BENEFITS A REALITY. I WANT TO STATE MY SUPPORT FOR SUCH AN INCREASE IN FY 85.

THANK YOU, MR. CHAIRMAN.

Chairman SIMPSON. So we will hear from Dr. Korb, Assistant Secretary of Defense for Manpower, Reserve Affairs and Logistics, Department of Defense. Good to have you here.

TESTIMONY OF DR. LAWRENCE J. KORB, ASSISTANT SECRETARY OF DEFENSE, MANPOWER, RESERVE AFFAIRS AND LOGISTICS, DEPARTMENT OF DEFENSE

Dr. KORB. It is a pleasure, Mr. Chairman and Senator Cranston, once again to appear before you to discuss educational benefits for military personnel. I appreciate the concern which the members and the staff of this committee have expressed for the welfare and morale of our men and women in uniform.

I would like to correct, if I may, one statement you made about the Department of Defense wanting the Veterans' Administration to pay for the benefits. Certain people in the Department tried to do that. My superiors and I have insisted that DOD pay for it in this All-Volunteer Force because it would be a recruiting and retention tool.

As you know, since 1977, the Department of Defense has provided educational benefits to its members through the Veterans' educational assistance program, VEAP. VEAP replaced the GI bill as the primary program of postservice educational benefits for service personnel.

Historically, the rationale for the GI bill was to compensate those whose lives were interrupted through involuntary military service, and who were poorly compensated for that service. With the end of the draft in 1973, and substantial pay raises for the force, neither of these rationales existed any longer and the GI bill program was terminated.

Further, as we have fielded a higher technology force the need for large numbers of short-term members has decline compared to well trained career soldiers, sailors, airmen, and marines. From 1971 to 1982 the portion of the enlisted force with more than 4 years of service has increased from 33 percent to 46 percent; for the Army alone the increase has been from 26 percent to 45 percent.

The Department supports the use of educational benefits only as part of the whole package of recruiting and retention tools. These benefits can be used in combination with targeted enlistment and reenlistment bonuses and other benefits to meet our manpower requirements. Currently, all services are enjoying success in both recruiting and retention.

What we are doing now is working; it should be allowed to continue. We do not intend, however, to become complacent. We are closely monitoring enlistment and reenlistment results on a monthly basis to ascertain any significant negative changes so that we can act quickly to remedy the problems that may arise—or as Senator Cranston said, to fix the roof.

While this administration supports a program of educational benefits, it does not support any major changes to the existing program at this time. Earlier this year Secretary of Defense Weinberger, in response to a question from the chairman of the House

Veterans' Affairs Committee, said that he supported educational benefits. But I quote his words on the subject:

> There is no question that it—meaning educational benefits—is an excellent idea—but the simple fact of the matter is we cannot do all the things that are desirable or useful or helpful—at some point we run out of resources to do all the things we would like to do.

We plan, as in the past, to keep the Congress advised, if changes in the present recruiting and retention climate make it necessary to reexamine our recruiting and retention tools, including educational benefits.

I would like now to comment very briefly on the specific legislation before the committee.

S. 667. I have previously testified that the administration supports the legislation to repeal the 1989 GI bill termination date, primarily for retention purposes. I would not be opposed should the Congress change VEAP's name to SAVE, the serviceperson's account for veterans' education.

However, increasing the services' contribution from $2 to $3 for every dollar contributed by a servicemember will increase annual program costs by at least $50 million and probably more, depending upon how participation increases. The bill also stipulates that the services pay interest on the servicemembers' contributions. This would have a net cost of less than $5 million.

The individual services, however, must program for this increased spending. Previously, the services have not been in favor of using their programed resources to increase educational benefits.

The problem with an educational benefit program which is too attractive is that it forces people to leave the service in order to take advantage of the benefit. In light of the need for achieving high levels of retention of these skilled personnel, and the high training costs to prepare them, we are concerned that increasing the present VEAP program as proposed in this legislation could exacerbate our force manning problems, and that the solution to overcome this retention disincentive could add even more to the cost of the program.

S. 8. This bill authorizes a $9,000 basic benefit, and supplemental benefits up to $13,500 for members completing 6 years of service. It also repeals the 1989 GI bill termination date. The date of the commencement of the program would be terminated by the President.

I have already testified that the administration supports the repeal of the 1989 termination date. S. 8 would be a quite costly educational benefit program. We estimate it would cost the services about $750 million to $1 billion annually be 1994.

As I mentioned previously, the military departments have not been supportive of reprograming dollars to pay for educational benefits. In addition, despite the supplementary benefits included in the bill, at great cost, we are concerned that too many members would leave after only 6 years to use the benefits.

The administration believes it is wise that the enactment date of new education benefits legislation be delayed until circumstances require such changes. In addition, we feel the specifics of any new program should not be prescribed until that time. What we might decide is too expensive at this time, may be the right price at a later date.

[Subsequently the Department of Defense submitted the following information:]

S. 691. This bill authorizes a basic benefit of $10,800 for both Active duty and Selected Reserve service, and a supplementary benefit of up to an additional $10,800 for those serving in shortage skills. In addition, the bill provides for the establishment of a Career Member's Dependents Education Account to which the Secretary of Defense contributes $2 for each $1 contributed by the member. This feature, included to encourage retention, implies a fund of up to $18,000 which the member may use himself or transfer to a dependent. This is, potentially, an especially costly feature.

The bill, starting on October 1, 1983, would privide a lucrative recruiting incentive which cannot be justified by force manning conditions at this time. It is estimated that this bill would cost the Services between $600 million and $1 billion per year by 1994.

Dr. **Korb**. Thank you for this opportunity to appear before you today. I hope to be able to continue working with the committee on this and other matters that affect the welfare of our military personnel.

Chairman **Simpson**. Thank you very much.

Dr. Korb, you've testified before committees of Congress on several occasions in the last few years on this issue and many others, and you have delivered the message that the Department of Defense does not support a new or expanded educational program at this time. I emphasize, "at this time" because it clearly indicates that DOD does not wish to close the door, I think. At some future day it may indeed favor such a program.

Yet, the Miltiary Manpower Task Force which was an impressive array of individuals, of experts, concluded that educational benefits are not the most efficient incentive for recruiting high quality personnel, that other incentives such as cash bonuses and other things you mentioned and others have mentioned, are more efficient and less costly.

I guess my inquiry is, if the only objective is the recruitment and retention of high quality personnel through those means that are most efficient and cost effective, then under what circumstances will the DOD ever justify its support for the new or expanded educational benefit programs?

Dr. **Korb**. As I mentioned in my statement, we have a whole panoply of incentives that we use to get and keep people. We don't ever want to say never about a circumstance because things could change.

For example, we could be faced with a situation in which, in light of a declining manpower pool, we are asked to increase the size of the Armed Forces for a particular reason and to do it on a volunteer basis. At that time we may feel that an increased educational benefit would help us attract the type of person that we need. We might have higher technology demands, we could have a situation in which Congress prescribed, as they have done now, the educational level of people that we take.

I think what the task force said was, given a certain amount of money that the educational benefit doesn't give you the result, for example, that a bonus does. But if we had a circumstance in which we were required to get a lot of people and money was not as important a consideration, or a particular type of person that the Congress may prescribe in terms of educational background or scores on our Armed Forces qualification test, then that educational benefit would help us go toward a certain type of individual.

Chairman **Simpson**. We know the recent recruitment successes have been attributed by some merely to the condition of the economy at the present time or recent times. And to what degree do you believe that these other factors, such as the ones you've mentioned, have played a role or maybe a more significant role than that alone in the significant upturn in signing quality enlistees? Would you share that, please?

Mr. **Korb**. There's no doubt that the economic situation effects both recruiting and retention. However, I feel that it is not the sole reason nor is it the primary reason for our increased recruiting and retention results, or better recruiting and retention results.

For example, the worst year that the Army has had in recruiting was fiscal year 1980. Fiscal year 1980 the Army roughly took in about 50 percent high school graduates, which meant 50-percent non-high school graduates, and 50 percent category IV's. In that year, in 1980—and we'll submit these exact figures for the record—but to the best of my recollection youth unemployment or unemployment among 16- to 19-year-old males was already high, because unfortunately unemployment among that segment of society normally is higher than the rest of society, was about 18.2 percent.

The year 1981 saw a dramatic turnaround. The number of high school graduates went up to about 80 percent, category IV's dropped to 30 percent. In 1982 it went even higher—86 percent high school graduates in the Army and down to about 20 percent category IV's.

Now unemployment among youth in that 16- to 19-year-old category went up in each of those years, but not dramatically. For example, it went up in 1981 to about 20.1 percent, 1.9 percentage points, which would not be enough to explain this turnaround.

Similarly, if you take a look at the retention figure, overall retention figures have gone up by about 13 percentage points over the last 2 years. The people that we were losing before, even in the current economic situation, still are very much in demand on the outside because the one segment of the economy in which a lot of money is going is the defense procurement business. And these people have skills which are in demand. The electronics technicians, for example, are very much in demand to do defense-related business.

So I think the economy is not the reason. I think the primary reason is, if you will, it's now become more of an honor to wear the uniform because of things the Congress and President have done. We've increased pay and benefits, we've worked on quality of life, we have a program to fix up our facilities, our living and working conditions. I think these are much more important than the economy, though the economy certainly does have an impact.

[Subsequently, the Department of Defense submitted the following information:]

In 1980, youth unemployment among 16- to 21-year-old males was 16.8 percent, while for 16- to 19-year-old males it was about 18.2 percent. Unemployment among these segments of society is normally higher than the average. In 1981 these figures increased, but not dramatically. For 16- to 21-year-old males, the increase was only 1.2 percentage points—an unemployment rate of 18.0 percent. For 16- to 19-year-old males, the increase was only 1.9 percentage points—an unemployment rate of 20.1 percent.

Chairman SIMPSON. You have submitted your fifth annual report on VEAP which summarized participation rates through 1981. Are there any figures in on 1982? And if so, do you think they will continue to reflect the steady, if modest, rise in participation in that program since its inception?

Dr. KORB. I think the preliminary estimates will show a slow, modest, and steady rise in participation. I think one of the reasons is we're now getting into the service a larger percentage of high school graduates. And because of that they're more likely to be aware and take advantage of the particular program, of that program. The fiscal year 1982 participation rates are anticipated to be available early this summer.

Chairman SIMPSON. Just one other question then I'll ask Senator Cranston if he has any questions.

Your report indicated that the Air Force apparently continues to lag far behind the other services in VEAP participation rates. Might I inquire as to why the Air Force apparently counsels its recruits to postpone participation in the VEAP program until their second year in service, and what other factors can you share with us that would cause that low participation rate?

Dr. KORB. Well, there are a couple of things to keep in mind. One has to look not only at VEAP, but one has to look at the tuition assistance programs that we have. Also one has to look at things like our servicemen's college. The Air Force has higher participation rates in those particular programs.

The Air Force, of course, is a highly technically oriented service; the most technically oriented. And I think they want to take in people and keep them in the service. They don't want to give them an incentive go get out. And if you look, the Air Force has a very, very high retention rate compared to the other services. So I think it's a combination of those factors.

Chairman SIMPSON. I have some other questions I'll submit to you in writing.

Do you have any questions, Al, you might want to express to Dr. Korb?

Senator CRANSTON. Yes, I do. Thank you very much.

Dr. Korb, one of the issues which has long been associated with the consideration of a new peacetime GI bill is that of transferability—that is, the veteran's or servicemember's ability to transfer GI bill benefits to a dependent to use. I'm aware that the Department has conducted a test of the transferability feature under the authority in section 901 of Public Law 96-342.

Please summarize the result of the test now and provide for the record complete details regarding those results.

Dr. KORB. We will obviously provide, you know, complete details for you on the test. But to the best of my recollection we found that transferability was not a major factor for youngsters coming in because of their time horizon. When you're 18 or 19 you're not thinking about what you're going to do when you're in your late thirties or early fourties. And then we also found that the pull of retirement, the fact that you've got to get 20 years in and get a comparatively generous retirement system was a much greater factor than transferability once people were in the service for a while.

[Subsequently, the Department of Defense submitted the following information:]

The test of a transferability provision was included in the Educational Assistance Test Program (EATP), the primary purpose of which was to determine the effects of educational benefits on enlistment supply. Unfortunately, the test of the transferability provision, while suggesting that transferability does not have a significant effect on retention, must be considered inconclusive due to problems in the test construction and administration, including selectivity bias, small sample size, and lack of an experimental control group.

To become eligible for the benefits, one had to waive all rights to GI Bill or VEAP benefits, and one could not waive these rights if any portion of these benefits had been used. Hence, one of the more interesting classes of personnel, those who had "signalled" that they value educational benefits because they had already used a portion of them, were excluded from participation.

Army offered the benefits to virtually all occupational groups that had European tours and required that the recipient accept a European tour to get the benefit. Hence, an adequate control group could not be constructed for Army. The Marine Corps precluded the recipient from accepting a reenlistment bonus, biasing any comparison with groups not offered the transferability option. Similar problems existed in the Navy and Marine Corps. Hence, we obtained no reliable estimates of the effect of transferability on retention from this test, but what evidence there was suggested that the effect was small.

Senator **Cranston**. Do you believe that transferability would be quite expensive?

Dr. **Korb**. I think it would be expensive. But more important than that, I don't think it would have the effect of changing the members' behavior. Because I think once a person passes the 10- or 11-year point, the fact that they're staying until 20 years is primarily a function of the retirement system.

Senator **Cranston**. Do you believe that there is a way to design a provision to permit transferability that would meet the needs of the service branches?

Dr. **Korb**. Well, I think that what I would favor, my own personal opinion—and we circulated this proposal within the Department of Defense with the services—that an individual should be allowed to have a contributory transferability provision, because I think this would really get the people who are really concerned about their children's education. And this is something that's similar to the programs in industry—you would have a contributory feature to it.

I would also think that transferability might be something we might want to look at for people who stay beyond 20 years. Because once you stay beyond 20 years then you no longer have the pull of the retirement, you're already eligible for it. But here again we have the same situation that we had in regard to the whole subject of the GI bill. I think that because of the fact that it is something that aids the Department of Defense in recruiting and retaining people, this is something that the Department of Defense should pay for.

And even if you shift it to another Federal agency, in effect, as you well know, this Federal budget pie is only so big and it has to come from someplace else. And therefore, I think that those who benefit from the program should be the ones who pay for it.

Senator **Cranston**. There can be some significant savings due to people not retiring as early, can there not?

Dr. **Korb**. There can be some, but again, not as much as you might think because retired pay is increased by each year that you stay on active duty. In other words, it's 50 percent of base pay after 20 years, then it goes up to 75 percent of base pay after 30 years. But there could be some savings in terms of the skills that people have. And I do think that we do probably lose too many people at 20 years.

Senator **Cranston**. Would you provide more detail for the record on deferring that after 20 years?

Dr. **Korb**. In terms of the cost savings?

Senator **Cranston**. Yes.

Dr. **Korb**. Yes; we'd be happy to do that.

[Subsequently, the Department of Defense submitted the following information:]

First of all, whether it is desirable to retain more people beyond 20 years of service in a particular skill depends upon much more than the retirement costs. It would depend, among other things, on the grade and experience mix required in that skill compared to its inventory, the cost of recruiting and training new people in that skill compared to the total costs of retaining people already serving in the skill, and the degree to which someone with relatively little experience in that skill can substitute, adequately, for someone with greater experience.

In terms simply of the retirement cost implications of a delayed retirement (that is, continuing on active duty past the 20-year point), there is no unequivocal answer. If an individual follows a normal promotion path, and the government values dollars spent now at the same rate as dollars spent in some future period (that is, the "discount rate" is zero), then retirement outlays for an individual will continue to rise the longer the individual remains beyond 20 years of service, up to the 30-year point. This is because the retirement multiplier increases by 2.5 percentage points for each year of service beyond 20, and the annuity rises with basic pay while the individual is on active duty. These increases outweigh the effect of a slightly reduced period over which the retirement pay will be received. On the other hand, if the government considers that a dollar spent immediately is, in a sense, more costly than a dollar spent a year from now (that is, the government has a positive "discount rate"), the real cost of retirement outlays may decline if the individual remains on active duty. For example, if the government's discount rate were 10 percent, the costs of retirement outlays for an enlistd person who follows a normal promotion path are lowest if the individual were to retire right before completing his 26th year of service.

In general, the higher the "discount rate" and the slower the rate of promotion, the lower are the retirement costs associated with service beyond 20 years.

Senator **Cranston**. In concluding that the enactment date of any new education benefits legislation be delayed until, as you say, "circumstances require such changes," the administration seems to have lost sight of two very significant aspects of enacting a program with the kind of triggering provisions that are set forth in section 8 of my bill S. 8. First, if the triggered program were enacted, once the President determined that a GI bill program is needed the new program could go into effect and be operational many months, probably a year, sooner than it could be if the bill had to be drafted, submitted, and enacted.

This ready availability of a trigger program could be a very important aspect to national security.

Second, if a triggered program were enacted the President would be entirely free to propose at any time legislation to establish a totally different educational assistance program and it would never be required to activate the program with the trigger.

With these advantages of a trigger program in mind, what do you see as disadvantages?

Dr. **Korb**. If I can use the analogy that you used in your opening statement, Senator, that you shouldn't fix the roof if it's not leaking. I'd certainly agree that it's not leaking now and we don't need to fix it. I do support the fact that if the Congress should decide we should have a so-called GI bill that we leave a triggering mechanism for the President.

However, my concern is we ought to know where the roof is leaking. And I'm not sure if your bill, the S. 8 bill, addresses where it might be leaking because we don't know where we'll be leaking if in fact it does start leaking.

And if the President is free to propose a change to this bill I assume that that would take almost as long to get through the Congress as in fact the other bill that you have. And the burden of proof, I think, would be on him or on the executive branch to change an already existing bill.

I think, as I mentioned, that we'd closely monitor the statistics and that we would have enough time to deal with the situation.

Senator **Cranston**. The Congressional Budget Office's prepared statement contains the assertion on page 2 that an educational assistance program such as my bill, S. 8, "could improve recruiting * * * but would also * * * pose the risk of reducing retention as servicemembers leave the military to take advantage of their educational benefits."

Do you believe it's possible to devise any program of postservice educational incentives that would not pose some risk of hurting retention?

Dr. **Korb**. No, you cannot design any that doesn't pose some risk. However, I think what you have to do is bear in mind two things. One, that if you design a generous educational program it may get you some higher quality people in, but because of a lower retention it's going to increase the number of people that you have to take in, and the resources you have to devote to that.

And the other thing that you have to keep in mind on an education package is will you keep in the people that you want to keep in? It's not just numbers, it's the type of people that the services need to perform these highly technological tasks.

Senator **Cranston**. If the services' VEAP contribution were increased from $2 to $3 as proposed in S. 667, wouldn't DOD costs be increased in two ways: First, by the direct requirement for all services to increase the mandatory contribution and second, by forcing the Army to increase its ultra-VEAP kicker in order to maintain the competitive advantage that is now necessary to maintain vis-a-vis the other services with respect to VEAP?

Dr. **Korb**. Well, in the first part of your question I agree that this obviously is going to cost us more money; we estimate about $50 million plus the other provision for interest if we have to pay interest on it.

In terms of competitive advantage, I'm not so sure. I think that the competitive advantage which the Army has now of $12,000 wouldn't have to go up proportionately to match the 2-to-1 contribution because the roughly $20,000 that the person gets now seems to be sufficient to attract the high quality person.

Senator **Cranston**. Based on your experiments and studies, would these increased costs be likely to produce any significant recruitment and retention gains?

Dr. **Korb**. Not at the present time.

Senator **Cranston**. I'm going to have some further written questions. But that's all I have at this time.

Chairman **Simpson**. I must admit I feel like I'm in a group of roofing contractors.

And so I'm sure we will address that again and again. If there is a leak maybe the leak isn't there now, maybe it was there a year and a half ago. And another important thing about that type of roof work is who is living under the roof? And if so, then we want to tend that. If not, you know, do we go with our best now and then what do we later for an encore?

I think that's what we want to look at.

Just one question. What has been the effectiveness of your advertising campaign in connection with the professional sports? Have you been able to identify a result there on those that appear to be rather effective advertising enticements?

Dr. **Korb**. We've seen two improvements: The correct placement of advertising to reach the youth market and a high level of quality advertising. As I look over the history of this program, when we first started advertising 10 years ago we found that the Department of Defense did not have any real experience or extensive advertising research information. I think that the Department as well as its advertising agencies know how to appeal to the youth market. In addition, we've seen a marked increase in the quality of the ads plus placing the ads in the right market. And it has been particularly dramatic in the Army.

We now find, for example, that the Army ads, complimented by the joint advertising campaign, have been one of the reasons for an increase in the propensity of youth for the Army.

Chairman **Simpson**. Thank you very much. We appreciate your participation.

[The prepared statement of Dr. Lawrence J. Korb, Assistant Secretary of Defense (Manpower, Reserve Affairs and Logistics), Department of Defense, and DOD's responses to written questions submitted by Hon. Alan Cranston, Ranking Minority Member of the Senate Committee on Veterans' Affairs; and Hon. Spark M. Matsunaga, a U.S. Senator form the State of Hawaii, follow:]

PREPARED STATEMENT OF DR. LAWRENCE J. KORB, ASSISTANT SECRETARY OF DEFENSE (MANPOWER, RESERVE AFFAIRS AND LOGISTICS), DEPARTMENT OF DEFENSE

Mr. Chairman and Members of the Committee:

It is a pleasure once again to appear before you to discuss educational benefits for military personnel. I appreciate the concern which the members and staff of this Committee have expressed for the welfare and morale of our men and women in uniform.

Since 1977, the Department of Defense has provided educational benefits to its members through the Veterans' Educational Assistance Program, VEAP. VEAP replaced the GI Bill as the primary program of post-service educational benefits for service personnel. Historically, the rationale for the GI Bill was to compensate those whose lives were interrupted through involuntary military service, and who were poorly compensated for that service. With the end of the draft in 1973, and substantial pay raises for the force, this rationale no longer existed, and the GI Bill program was terminated. Further, as we have fielded a higher technology force the need for large numbers of short term members has declined compared to well trained career soldiers, sailors and airmen. From FY1971 to FY1982 the portion of the enlisted force with more than 4 years of service has increased from 33% to 46% ; for the Army, the increase has been from 24% to 45%.

The Department supports the use of educational benefits only as part of a whole package of recruiting and retention tools. These benefits can be used best in combination with targeted enlistment and reenlistment bonuses and other benefits to meet our manpower requirements. Currently, all Services are enjoying success in both recruiting and retention. What we are doing now is working; it should be allowed to continue. We do not intend, however, to become complacent. We are closely monitoring enlistment and reenlistment results on a monthly basis to ascertain any significant negative changes so that we can act quickly to remedy problems that may arise.

While the Administration supports a program of educational benefits, it does not support any major changes to the existing program at this time. Earlier this year, Secretary of Defense Weinberger, in response to a question

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from the Chairman of the House Veterans' Affairs Committee, said that he supports educational benefits. I quote: "There is no question that it (educational benefits) is an excellent idea .... But the simple fact of the matter is we cannot do all the things that are desirable or useful or helpful .... At some point we run out of resources to do all the things we would like to do."

We plan to keep the Congress advised, if changes in the present recruiting and retention climate make it necessary to reexamine our recruiting and retention tools, including educational benefits.

I would like to comment on the specific legislation before the Committee.

S.667 - I have previously testified that the Administration supports the legislation to repeal the 1989 GI Bill termination date for retention purposes. I would not be opposed should the Congress change VEAP's name to SAVE, the Serviceperson's Account for Veteran's Education.

Increasing the Services' contributions from two to three dollars for every dollar contributed by a servicemember will increase annual program costs by at least $50 million and probably much more depending upon how participation increases. The bill also stipulates that the Services pay interest on the servicemembers' contributions. This would have a net cost of less than 5 million. The individual Services must program for this increased spending. Previously, the Services have never been in favor of using their programmed resources to increase educational benefits.

The problem with an educational benefit program which is too attractive is that it forces people to leave the Service in order to take advantage of the benefit. In light of the need for achieving high levels of retention of these skilled personnel, and the high training costs to prepare them, we are concerned that increasing the present VEAP program as proposed in this legislation could exacerbate our force manning problems, and that the solutions to overcome this retention disencentive would add even more cost to the program.

S.8 - This bill authorizes a $9000 basic benefit, and supplemental benefits up to $13,500 for members completing six years of service; it also repeals the 1989 GI Bill termination date. The date of commencement of the program would be determined by the President.

I have already testified that the Administration supports the repeal of the 1989 termination date. S.8 would be a quite costly educational benefit program. We estimate it would cost the Services about $750 million to $1 billion annually by 1994. As I mentioned previously, the military departments have not been supportive of reprogramming dollars to pay for educational benefits. In addition, despite the supplementary benefits included in the bill - at great cost - we are concerned that too many members would leave after only 6 years to use the benefits.

The Administration believes it is wise that the enactment date of new education benefits legislation would be delayed until circumstances require such changes. In addition, we feel the specifics of any new program should not be prescribed until that time. What we might decide is too expensive at this time, may be the right price at a later date.

Thank you for this opportunity to appear before you today. I hope to be able to continue working with the Committee on this and other matters that affect the welfare of our military personnel.

RESPONSE OF THE DEPARTMENT OF DEFENSE TO WRITTEN QUESTIONS SUBMITTED BY HON. ALAN CRANSTON, RANKING MINORITY MEMBER OF THE SENATE COMMITTEE ON VETERANS' AFFAIRS

Question 1. On page 2 of your testimony, you state that you are "closely monitoring enlistment and reenlistment changes so that [you] can act quickly to remedy problems that may arise." Please provide to the Committee on a monthly basis, to both majority and minority staffs, the results of this monthly monitoring.

Answer 1. We do have preliminary unofficial monthly recruiting and retention statistics which we use internally. Due to their preliminary nature it is inappropriate to provide the statistics before verification. We officially release results on a quarterly basis and we will ensure these are provided to the Committee. If at any time there are specific questions, we look forward to working with you and providing the best possible answer to your inquiries.

Question 2. On the fourth page of your testimony, you state, in addressing the provision of S.667 to increase the services' VEAP contribution to $3, "previously, the services have never been in favor of using their programmed resources to increase educational benefits."

A. Has their position changed?

B. What is the Defense Departments' position on the proposal in S.667 to increase the services' VEAP contribution?

C. Please state specifically what the Defense Department's position is with respect to the proposal to pay interest on a servicemember's contribution.

Answer 2.

A. The Services' position has not changed. Given the recruiting and retention success we are currently enjoying, the Services believe the programmed resources necessary to increase educational benefits could be better used elsewhere.

B. The Department of Defense position is that additional educational benefits are not needed at this time.

C. The Department of Defense does not favor the proposal. Though the cost of paying interest on a servicemembers' contribution is likely to be relatively modest, the Department of Defense believes that the benefits of the proposal are less than these costs, and the potential costs that the burden of administering an interest bearing account may entail. Moreover, the ability for a servicemember to make his entire contribution in the form a lump-sum at the time he leaves service is an effective substitute for any benefits that the payment of interest on the account may have.

Question 3. With respect to your comments on the proposal I have introduced, S.8, would making the second tier of supplemental benefits discretionary -- that is, making those benefits available only when the President determines them to be necessary or, alternatively, when the services make that determination -- alleviate your concerns regarding the availability of such benefits inducing individuals to leave the service after six years in order to use those benefits?

Answer 3. A fundamental concern, though not necessarily an overriding concern, with the use of educational benefits as a recruiting tool is that if one believes that large numbers of higher quality recruits will be induced to enter military service because of them, one is hard-pressed, logically, to explain why these individuals will not leave at the first opportunity to use them. One purpose of a lucrative "second tier" of benefits, earned in return for longer service, is to keep individuals from leaving to use their basic benefit. The problem is that, once earned, the more lucrative second tier provides even a stronger incentive to leave than the basic benefit. Hence, making the "second tier" of benefits discretionary would alleviate the retention problem associated with the second tier, but it would not alleviate the fundamental concern of the possible adverse retention effects of the basic benefit, which the second tier was intended to remedy in the first place.

Question 4. Is your "bottom line" essentially that VEAP as currently constituted is sufficient for the services' needs at this time?

Answer 4. Yes.

RESPONSE OF THE DEPARTMENT OF DEFENSE TO WRITTEN QUESTIONS SUBMITTED BY

HON. SPARK M. MATSUNAGA, A U.S. SENATOR FROM THE STATE OF HAWAII

Question 1. Dr. Korb, does the Department of Defense agree with the Congressional Budget Office's projection that if economic recovery occurs at a more rapid rate than forecast by CBO, Army and Navy recruiting might fail to meet the Congressional minimums in quality by 1988? If not, what are DoD's projections on recruiting should the economy recover faster than expected?

Answer 1. Certainly, we agree that the Army and Navy, and perhaps the other Services, might run into serious recruiting difficulty if the economy were to recover at some rate faster than currently anticipated, and we were to do nothing to offset the effects of an improved economy. In such an event, however, we would attempt to maintain competitive levels of pay by increasing bonuses and other special incentives and/ or through adjusting the overall level of pay to a more competitive level in one of the annual military pay raises beyond FY 1984.

Question 2. What effect on recruiting and retention does the Department believe this year's freeze and last year's four percent pay cap on military pay will have?

Answer 2. Increases in the level of military pay, compared to the pay offered in the civilian sector increases both the number of people willing to enlist and the number desiring to stay in military service. Hence, both recruiting and retention would, potentially, be better if there were no pay cap in FY 1983 and no pay freeze in FY 1984. However, right now we believe that recruiting and retention will be more than adequate in FY 1983 and FY 1984. As long as military pay is reasonably competitive, which means, among other things, a flexible enlistment and reenlistment bonus program, we anticipate no major manning problems arising as a result of a pay freeze in FY 1984. Should, for whatever reasons, recruiting and retention begin to fall below acceptable levels,we would not hesitate to ask Congress for the pay incentives or other resouces necessary to eliminate the problems.

Question 3. Ultra-VEAP, or VEAP with Kickers, has been considered a success to this point by the DoD. In 1982, the Army appears to have had success in attracting higher percentages of high-scoring high school graduates to serve in combat-arms specialties. What are the actual numbers and percentages of category is, IIs and IIIAs? If the bulk of these recruits are IIIAs, is Ultra-VEAP really proving to be cost-effective?

Answer 3. In FY 1982, there were 28,248 I-IIIA high school diploma graduates that signed a contract and enlisted in the Military Occupational Specialities eligible for the Army College Fund (Ultra-VEAP). Seven percent of those enlistments were in AFQT category I, 58 percent in category II and 35 percent in Category IIIA. The Army college fund is considered to be cost-effective. The program has increased high quality enlistments in critical skills evidently without hurting the recruiting efforts of the other Services.

Question 4. The Administration has proposed a freeze on military pay increases for Fiscal Year 1984. What is the Administration's projections for military pay raises over the next five years?

Answer 4. The projections for military pay raises for FY 84 - FY 88 are:

Fiscal Year	Percentage Increase
1984	0%
1985	6.1[†]
1986	6.0
1987	5.7
1988	5.6

[†] Will also include an as yet undetermined amount to compensate for the elimination of the pay raise in FY 84.

Question 5. In terms of relative pay comparability to the private sector, where is military pay now? Where will it be in relation to private sector pay should the proposed freeze be enacted? It would seem that after the "catch-up" raises of 1980 and 1981, military pay should once again be falling behind the private sector as a result of two successive pay caps.

Answer 5. Assuming that "comparability" was achieved in October 1981, military pay is now approximately 4 to 5.5 percent behind private sector wage growth depending on the index used. (In comparison to the 4 percent pay increase received by military personnel in October 1982, the growth was 9.5 percent in the PATC index and 8.1 percent in the ECI index). If military personnel do not receive a pay increase this October, the shortfall will grow to 10-12 percent assuming private sector pay increases of 6 to 6.5 percent.

Chairman SIMPSON. Yes, now Dorothy Starbuck please, Chief Benefits Directors of the VA, accompanied by Charles Dollarhide, Director of the Education Service; June Schaeffer, Assistant Director for Policy and Program Administration, Education Service; and James P. Kane, Assistant General Counsel of the VA, Washington.

TESTIMONY OF DOROTHY L. STARBUCK, CHIEF BENEFITS DIRECTOR, VETERANS' ADMINISTRATION, ACCOMPANIED BY JUNE C. SCHAEFFER, ASSISTANT DIRECTOR FOR POLICY AND PROGRAM ADMINISTRATION, EDUCATION SERVICE, AND JAMES P. KANE, ASSISTANT GENERAL COUNSEL

Ms. STARBUCK. Mr. Chairman, thank you. Mr. Dollarhide called this morning to extend his regrets. He's been laid low by the flu bug that's cruising the city and unable to make it to the office this morning.

Mr. Chairman, with your permission I will submit my full statement for the record and summarize.

Chairman SIMPSON. Without objection.

Ms. STARBUCK. Thank you.

It is indeed a pleasure to provide you the views of the Veterans' Administration on the legislation which is pending before your committee which would basically establish a new peacetime GI bill, remove the current December 31, 1989, termination date for the current GI bill and authorize an across-the-board increase in vocational educational benefits by 15 percent, and lastly, enhance utilization of the VEAP program.

I would first turn to S. 8, the proposal to establish a new peacetime education bill which would provide some basic and supplemental benefits to enlistees or reenlistees in the military services effective on a date to be set by the President. This measure of course would halt the VEAP program on the effective date that would be agreed to by the House and the Senate.

This bill also would remove the termination date for the current GI bill and provides that in the event this termination date is eliminated, the Department of Defense would bear the cost of these benefits awarded to individuals. We have been assured by the Department of Defense that this is an acceptable alternative to them.

Previously, Mr. Chairman, the Veterans' Administration has opposed the enactment of a new GI bill education program since we considered such a proposal to be premature. We do believe that an education program for service personnel would have merit should the future needs of the Department demand that change. However, the current Department of Defense recruitment needs are being met with the educational benefits that are available under the present law and through other incentives.

The present system, as Mr. Korb has said, is working and should be allowed to continue to work. We have the support of the Secretary of Defense, as mentioned in his testimony before the House Armed Services Committee.

We have no objection to the removal of the current termination date for the GI bill program, providing that the costs of this do become the burden of the Department of Defense. This is a supportable position as a retention incentive by the Department of Defense.

The second bill on which you have asked our views is S. 9, which would authorize a 15-percent across-the-board increase in subsistence and educational allowances in our vocational rehabilitation and education programs, to become effective October 1, 1983, or in concert with other slippages, 6 months subsequent to that date.

We are not unaware of the additional financial burdens that veterans incur as they pursue training. And while we wholeheartedly support that pursuit, nevertheless, we don't feel that we can ignore the administration's effort to reduce expenditures by placing temporary freezes on many Federal benefit programs. We, therefore, do not support an increase in educational rates at this time.

The third and final measure on which you requested our testimony is S. 667, the bill designed to enhance participation in the VEAP program. We would defer, of course, to the Department of Defense on the proposal that the matching funds be increased from $2 to $3 for each dollar that the individual contributes to the program.

We would also defer to the Department of Defense with respect to the payment of interest on the account established by the serviceperson.

Other provisions contained in this legislation would permit accelerated benefits where the individual desires or prefers to pursue a short-term, high-cost course and this bill also would repeal the termination of the current GI bill program.

As I stated earlier, we would favor the repeal of the December 31, 1989, GI bill termination date.

And you had asked us particularly to discuss with you under the VEAP program the possibility of pursuit of on-the-job training or apprenticeship training. We would have no objection to the granting of authority to VEAP participants to pursue these training programs with the absolute proviso that the authority be limited to those individuals who have been separated from service or released from active duty.

You also asked, Mr. Chairman, that we talk a little bit about the extension of the GI bill delimiting date. As this program was originally enacted in Public Law 97-72, the number of applications which we received as well as the number of applications which we approved was disappointingly low. And so that program was revised by Public Law 97-306 and was extended until December 31, 1984.

While it is true that our allowance rate under the original law was low at about 17.4 percent, in response to requests we did review all of those cases which had been disallowed under that previous legislation. And I am pleased to report that that re-review has resulted in about a 60-percent allowance rate of those applications.

Our current figures for the months of January and February show that during those 2 months we'd received a total of 2,861 applications for extensions under the new criteria. We have approved 940 cases and denied 644 and still have 1,277 under review. So we are holding pretty close to the 60-percent approval rate.

The basic reasons for disapproval were veterans who applied who had no Vietnam service and who have failed to furnish requested evidence.

We feel that this extension, while it still has not reached the estimates that we had, is working very well.

Mr. Chairman, I see the red light and I complete my presentation. We'll be pleased to answer questions from the committee.

Chairman SIMPSON. Thank you very much.

You, in your task with the VA, perhaps better than anyone, know the distinctions made over the years with regard to providing benefits to veterans concerning wartime and peacetime service. Now in S. 8 we see a proposal to provide to an eligible serviceperson a benefit of $250 per month for 3 years of service with an additional or supplemental $375 per month for each consecutive month served up to 36 months after the initial 3-year period.

So under that proposal a veteran who serves 6 consecutive years of active duty could receive $625 per month in educational assistance for 36 months, or a total of $22,600. I ask you, are you concerned, when comparing that amount with the $342 per month currently provided to the Vietnam-era GI bill recipient, that we are faced with a problem of equity in providing a greater benefit to those who served during peacetime in an All-Volunteer Force than we did to those who served during wartime?

Ms. STARBUCK. I would have to be concerned about that, Mr. Chairman, particularly in light of the fact that we are not now proposing an increase of that $342 per month, and additionally, that we are dealing basically with people who possibly enlisted but more likely were drafted into military service during the Vietnam era.

Chairman SIMPSON. Well, I think it has every possibility of creating a tough set of circumstances.

Ms. STARBUCK. Well, it would create a tough set of circumstances in light of equity. At the same time I think it would create a temptation for an individual to lop off his service at a 6-year date.

Chairman SIMPSON. Instead of serving then as an inducement, it would serve as something that would assure a speedier exit from the service?

Ms. STARBUCK. That would be my reaction to it, sir.

Chairman SIMPSON. In your testimony you declined to comment on the merits of the proposal to enhance VEAP, deferring to the Department of Defense. While the major emphasis concerning the VEAP program has been placed on its effectiveness in recruiting and retaining, it also serves as a readjustment benefit.

Do you support the concept of providing an education program as a readjustment benefit or reward for service to all veterans, even in peacetime?

Ms. STARBUCK. I would think that the peacetime bill, of necessity, should be a contributory bill with the responsibility of the individual being met as a part of his bargain in the service. Where we have an All-Volunteer Force that is being paid at a reasonable rate, where there are many educational opportunities available to the individual in the service, assistance programs that are available to them, to support all out for an All-Volunteer Force, a noncontributory education program would be very difficult, sir.

Chairman Simpson. By your assessment, do the current benefit levels of the VEAP program offer a level of benefit which is of significant use to a participant in view of today's economy? And if not, are the enhancements suggested by S. 667 sufficient to make it an attractive program?

Ms. Starbuck. In the main I think it is sufficient. But we have had some specific requests from individuals who are going into fast track courses, particularly in high technological fields, where the cost is high and the course run is short. And we have been asked to bridge away from the monthly benefit to provide them the funds needed to get through a fast track course.

We would have no objection to that authority at all.

Chairman Simpson. The VA indicates opposition at this time to the rate increase in Vietnam-era GI bill benefits proposed in S. 9. Assuming that Congress should hold off on an increase until the start of fiscal year 1985, which I am well committed to, how many veterans will reach their delimiting date during that 6-month period, that is, between April 1984 and October 1984?

Ms. Starbuck. I'd have to provide that number for the record, Mr. Chairman.

Chairman Simpson. Will you please?

Do you feel that will be a significant number?

Ms. Starbuck. It would not be a highly significant number because the numbers who are now in our population are decreasing daily.

Chairman Simpson. That is obviously so, yes.

Ms. Starbuck. Yes, sir.

[Subsequently, the Veterans' Administration submitted the following information:]

It is estimated that 314,000 Vietnam-era veterans will reach their delimiting date between April 1, 1984 and October 1, 1984.

Chairman Simpson. What percentage of veterans have dropped out of the GI bill and vocational rehabilitation programs each year since the last rate increase? Do you have any figures on that for the committee?

Ms. Starbuck. I'll give it a shot for you, Mr. Chairman.

Chairman Simpson. If you will please.

[Subsequently, the Veterans' Administration submitted the following information:]

The VA does not keep statistics on persons who have "dropped out". These rates given below are based on all terminations regardless of reason. This includes persons who completed their program, reached their delimiting date, interrupted or stopped training for personal reason. Our data do not distinguish among them.

Since the last rate increases for the GI bill (January 1, 1981) and Vocational Rehabilitation (October 1, 1980) the rates of termination have been as follows:

RATE OF TERMINATIONS

[Percent]

	GI bill	Vocational rehabilitation
Fiscal year		
1982	28	22

RATE OF TERMINATIONS—Continued

[Percent]

	GI bill	Vocational rehabilitation
1981	27	25

Chairman SIMPSON. And then I'd ask if those percentages differ from those years prior to the increase. I'd like to know that and whether you believe the loss of enrollments are indicative of insufficient GI bill payment levels. If you could furnish that.

Ms. STARBUCK. I will be happy to, sir.

[Subsequently, the Veterans' Administration submitted the following information:]

Again, The VA does not keep statistics on persons who have "dropped out". These rates given below are based on all terminations regardless of reason. This includes persons who completed their program, reached their delimiting date, interrupted or stopped training for personal reason. Our data do not distinguish among them.

In prior years the termination rate, which includes all reasons for termination, has been higher. The trend has been toward lower percentages of terminations.

RATE OF TERMINATIONS

[Percent]

	GI bill	Vocational rehabilitation
Fiscal year		
1982	28	22
1981	27	25
1980	29	28
1979	32	28
1978	34	30
1977	45	14
1976	24	NA

The fact that some veterans may perceive the present level of benefits as being insufficient probably does have some impact on the loss of enrollments. However, we believe that impact to be very minimal. The principal reason for the so-called "loss of enrollments" is the fact that as every month goes by, the number of veterans reaching their delimiting date increases. Thus, the pool of those eligible is continuously dwindling.

Chairman SIMPSON. Has the VA ever studied the reasons for veterans declining to use their education benefits or failing to complete their periods of training?

Ms. STARBUCK. I believe the last questions that were asked about that were in a census survey.

Do you have a date on that, June?

But I can also provide that, sir.

Chairman SIMPSON. If you would.

And any records, any demographic analysis of requests for extension under the new criteria of the delimiting date extension and whatever studies you have of job and skill categories that are being pursued, if you could furnish that, too?

Ms. STARBUCK. Yes, sir.

[Subsequently, the Veterans' Administration submitted the following information:]

Yes. There have been three surveys of veterans which have included questions related to education and training under the GI Bill. The results of these surveys are published in the following documents:

Completion Rates of Education and Training Under the Vietnam Era GI Bill (June 1976).

National Survey of Veterans (SOV-I) [January 1980].

1979 National Survey of Veterans (SOV-II) [1981].

The first of these (the Completion Rate Study) indicates that nearly 48 percent of veterans who discontinued training attributed their decisions to either financial problems or to job interference.

SOV-I and SOV-II do not address the reasons for terminating training but they do provide data on corollary items; that is, reasons for not entering training, satisfaction and completion. In all the studies the focus is on the GI bill. There appear to be no studies related to Chapter 31 training.

Attachments.

[COMMITTEE NOTE: The documents referred to above may be found in the Committee's file.]

There have been no studies conducted by the VA into either of these areas. The monthly report, RCS 22-28 (attached), "Delimiting Date Extensions PL 97-72," shows by VA Regional Office data related to requests for extension.

	A	B	C	D	E	F	G	H	I	J	K
[illegible]	1912	33	673		8	12	154	316		522	323
[illegible]	462	27	159		3	—	55	74		114	60
[illegible]	1130	23	372		4	10	81	182		354	226
[illegible]	320	3	142		1	2	38	60		54	37

Chairman Simpson. A final question. With regard to eligibility for the targeted extension of the GI bill delimiting date, have you come upon any problems with certain vocational programs not qualifying under this extension due to their definition as an educational objective as defined by VA guidelines?

Ms. Starbuck. We have had some indication that the criteria for on-the-job training which does not include the ability of an individual to take any portion of an academic course, such as in a junior college where, for purely vocational reasons, a junior college would grant an associate degree providing some academic pursuit were coupled with that. We've had some objections of our disallowance of such a program.

Chairman Simpson. I have one other item that Senator Cranston joins me in. Yesterday there was an amendment in the Senate to the appropriations jobs bill which, according to its purpose clause, would protect certain educational benefits for student veterans at Evergreen State College in Washington. I know you're familiar with that, at least to some degree. The committee staff spoke with the VA regarding the matter and requested certain information on the matter, and we request also that you furnish a letter setting forth the VA's views on that amendment.

I think that my position on it was misspoken, as I had not approved that amendment. And certainly it was not an intentional comment by my good chum from Washington, Slade Gorton, who I have the greatest respect for. But that had never come to the attention of the committee staff. And really is quite a matter of substance; it overturns a court decision.

If we could have a response on that today, please, by 4 o'clock, it would be very helpful.

Ms. Starbuck. You will have that, Mr. Chairman. It's being worked on right now.

Chairman Simpson. Thank you very much. I knew the inquiry had been made orally.

Thank you for your participation.

Ms. Starbuck. Thank you.

[The prepared statement of Dorothy L. Starbuck, Chief Benefits Director, Veterans' Administration; and the VA's response to written questions submitted by Hon. Alan Cranston, ranking minority member of the Senate Committee on Veterans' Affairs, follow:]

PREPARED STATEMENT OF DOROTHY L. STARBUCK, CHIEF BENEFITS DIRECTOR, VETERANS' ADMINISTRATION

Mr. Chairman and Members of the Committee:

It is with pleasure that I appear before you today to provide you with the views of the Veterans Administration on legislation pending before your Committee which would (1) establish a new peacetime GI Bill education program; (2) remove the current December 31, 1989 termination date for the current GI Bill education program; (3) authorize a 15 percent across-the-board benefit rate increase for our vocational rehabilitation and education programs; and (4) enhance utilization of the Post-Vietnam Era Veterans' Education Assistance Program (VEAP).

I would first like to turn my attention to S. 8, the proposal to establish a new peacetime education program. Under this measure, basic and supplemental education benefits could be granted individuals who enlist or reenlist in the military services after a date to be determined by the President. Basic educational assistance at the rate of $250 per month for full-time pursuit would be granted individuals who serve on active duty for 3 or more years after the date set by the President, as well as those individuals who serve on active duty for 2 years or more after that date, who have agreed in writing to serve, and have been accepted for service, in the Ready Reserve for a period of 4 or more years after their discharge or release.

Supplemental education benefits would be paid in monthly amounts ranging from $250 to $500 above the basic benefit (based on full-time pursuit) to those individuals who (a) serve for 6 or more consecutive years on active duty after the critical date, or (b) who serve after such date for 4 or more consecutive years (but less than 6) and who have agreed in writing to serve, and have been accepted for service, in the Ready Reserve for a period of 4 years or more after their discharge or release. An individual may receive up to 36 months of basic benefits to a maximum of $9,000. An individual may also receive supplemental benefits not to exceed a maximum of $13,500 (or a grand total of $22,500), based upon the amount of time he or she has served in the military.

Eligibility for the basic benefit would require a discharge or release under conditions other than dishonorable, unless the individual remains in service. Eligibility for the supplemental benefit would require discharge or release under honorable conditions, unless the individual remains in service.

3.

An individual would have 10 years after his or her last discharge or release from active service to utilize these benefits, although additional time periods could be allowed under certain circumstances. The proposed new education program would be administered by the Veterans Administration, but the cost would be borne by the Department of Defense. Unlike other measures introduced in earlier Congresses, S. 8 contains what might be termed a "trigger-in, trigger-out" provision under which the President could set the date for the commencement or termination of the program. In either case, the House and Senate could, by adoption of a resolution, disapprove either action.

The measure also contains provisions under which new enrollments in the VEAP program would be terminated as of the date set by the President for commencement of the new program.

A second proposal contained in S. 8 would remove the December 31, 1989, termination date for the current GI Bill program. It also provides that in the event such action is taken, the Department of Defense would bear the cost of any benefits awarded individuals under the program beyond December 31, 1989.

I would point out that in testimony before your Committee approximately 20 months ago, the Veterans Administration opposed enactment of any new GI Bill education program, since we considered any such action premature. We believe an education program for service personnel would have merit should the future needs of the armed forces change. However, current Department of Defense recruitment needs are being met with the educational benefits available under present law and through other kinds of recruitment incentives, such as less costly cash bonuses. The present system is working and therefore should be allowed to continue. This position has been supported by Defense Secretary Weinberger in his recent testimony before the House Armed Services Committee.

On the other hand, we would have no objection to the removal of the current termination date for the GI Bill program, provided the provision requiring the Department of Defense to bear any costs incurred after that date is retained. We understand the Department of Defense also supports this proposal. It is the Department's view that this would have the beneficial effect of retaining in the service those individuals with GI Bill eligibility who would otherwise leave the armed services to take advantage of this benefit. This would result in the loss of many highly trained individuals who are essential to maintaining our military strength.

The second bill on which you have requested our views, S. 9, would authorize a 15 percent across-the-board increase in the subsistence and educational assistance rates payable under our vocational rehabilitation and education programs. The increase would, under the bill, become effective October 1, 1983, or, in the event the Congress delays the cost-of-living increase which is due social security beneficiaries early this summer, the increase would be delayed for the same number of months after October 1, 1983, as the social security adjustment is postponed.

While we are mindful of the added financial burdens that veterans might incur as they pursue their training, and we wholeheartedly support their career advancement efforts, nevertheless, we cannot ignore the Administration's effort to reduce expenditures by placing a temporary freeze on many Federal benefit payments. We must, therefore, oppose any increase in educational rates at this time.

I would like to point out that there are certain supplemental sources of income available to many veterans. For example, an eligible GI Bill veteran may participate in our work study program. Veterans may also apply for education loans through their educational institutions. I would also point out that service-disabled veterans, participating in our vocational rehabilitation program (chapter 31), currently have all of their tuition, fees, books, and supplies paid by the VA. In addition, these participants may also take advantage of the interest free loan fund should they encounter emergency financial situations.

The third and final measure on which you requested our testimony is S. 667, a bill designed to enhance participation in the Post-Vietnam Veterans' Education Assistance Program (VEAP). Under this proposal, the current Federal matching payment would be increased from the present $2 for $1 basis to $3 for each $1 contributed by the serviceperson. This bill would also introduce a new feature providing for the payment of interest by the Government, commencing October 1, 1983, on all contributions contained in the individual's account as of that date, or made thereafter, until such time as the individual commences utilizing his or her benefits. Interest accrued as of the date the individual commences utilizing his or her entitlement would be paid to the participant in a lump sum.

Other provisions contained in S. 667 would permit payment of accelerated benefits where the individual desires to pursue a short-term, high-cost course and would, like S. 8, repeal the December 31, 1989, termination date for the current GI Bill program.

Before going into a discussion of the merits of this measure, I believe it would be appropriate for me to provide you with the most recent statistics on participation in this program. Through February of this year, a cumulative total of 561,189 individuals have elected to participate in the program and have deductions made from their military pay. Of this total, 220,568 are currently having deductions made; 108,241 have suspended their allotments, but are still eligible to participate; 232,380 individuals have, for various reasons, disenrolled and have received refunds of their contributions; and nearly 32,000 individuals have trained under the program.

While the Veterans Administration administers this program, all of the costs are borne by the Department of Defense. For this reason, we would defer to the views of that Department on the overall merits of the proposal and its effect on the efforts of the military services to recruit and retain individuals in the armed forces.

As I stated earlier in my presentation, we would favor repeal of the December 31, 1989, GI Bill termination date provided the Department of Defense is required to pay any costs of participation after that date.

There is one issue related to the VEAP program on which you specifically requested our views. Under current law, an individual may not pursue OJT or apprentice training. We believe that at the time the program was originally enacted in 1976, consideration was primarily focused on affording benefits for those individuals who were in the service. Under the GI Bill program, an eligible individual may only pursue OJT or apprentice training on a full-time basis. Since individuals in the military are required to devote their full time to their military occupations, they would not be in a position to take advantage of OJT or apprentice training. We would have no objection to granting authority to VEAP participants to pursue these training programs, provided the authority is limited to those individuals who have been discharged or released from the service. We believe this would be equitable and would permit such individuals to pursue these important training opportunities.

Mr. Chairman, you also asked us to comment on the targeted extension of the GI Bill delimiting date. This program, originally enacted in Public Law 97-72, was recently amended and extended by Public Law 97-306. Under this program, veterans, whose 10-year delimiting date has expired, who have remaining entitlement, and who are unemployed, underemployed, unskilled or educationally disadvantaged, are afforded the opportunity to obtain needed training. This authority, originally set to expire at the end of this year, was recently extended to December 31, 1984.

Under the law, veterans who meet the eligibility criteria are permitted to pursue vocational objective training, or apprentice or on-the-job training or, where they do not have a high school diploma or an equivalency certificate, to pursue secondary training to aid them in obtaining either the diploma or the GED certification.

As part of the changes enacted in Public Law 97-306, the Congress mandated that the Veterans Administration publish its initial regulations in the Federal Register no later than 30 days following the enactment of the law and to publish its final regulations no later than 90 days following enactment.

I am pleased to advise you that we met both of these deadlines. In addition, we recently published a circular providing instructions to our regional offices on how to administer the revised program.

Between January 1982 and December 31, 1982 (prior to recent changes enacted in Public Law 97-306), we received 9,983 applications for extensions. Out of this number, 1,735 were approved. This works out to a 17.4 percent cumulative approval rate through the end of last year.

We now have figures for January and February of this year. They show that during those two months we received a total of 2,861 applications for extensions under the new criteria. Out of this number, 940 were approved and 644 were denied, and 1,277 cases were still pending review. Out of those reviewed, 59 percent were approved. Of the 41 percent of the applications denied, many were instances where the veteran did not have any Vietnam service, or failed to furnish requested evidence to support the application, or had no remaining entitlement. In addition, under the revised criteria included in Public Law 97-306, we again reviewed 1,441 cases previously denied. Of this total, we approved 873, or slightly over 60 percent. We believe this shows marked improvement in the rate of approvals over those permitted under the prior criteria.

Mr. Chairman, this completes my prepared statement. I will be pleased to respond to any questions you or Members of the Committee may have.

RESPONSE OF THE VETERANS' ADMINISTRATION TO WRITTEN QUESTIONS SUBMITTED BY HON. ALAN CRANSTON, RANKING MINORITY MEMBER OF THE SENATE COMMITTEE ON VETERANS' AFFAIRS

Question 1A. To your knowledge, does the Administration propose to support a GI Bill rate increase in its fiscal year 1985 budget?

Answer 1A. We do anticipate a request for a GI Bill rate increase for the FY 1985 budget. In our comments on S.9, which would have authorized a 15 percent across-the-board increase in the subsistence and educational assistance rates payable under our vocational rehabilitation and education programs in 1984 we stated our opposition to any increase at this time. With the last increase having been in 1980-81, we feel confident in justifying an increase for 1985. We have not yet developed the rate which will be recommended.

Question 1B. Why does the Administration support 6-month delayed increases in some federal-benefit payments but not in the GI Bill, which was last increased in 1980?

Answer 1B. In addition to conforming to the Administration's intent to reduce expenditures, we recognize that the profile of the veteran receiving GI Bill benefits has continued to change. The mean age of the veterans currently pursuing training is about thirty-five. He/she is typically married, with one income (sometimes two incomes) to assist him or her to meet educational expenses. Many educational institutions have developed financial aid packages to help their students cope with the costs of education.

Question 2. I'm not clear on what the VA's position is on the provisions in my measure, S.8, that would "trigger on" eligibility for a peace-time GI Bill. Would you comment on the need for such a trigger in connection with any peace-time GI Bill legislation that may be considered at this time?

Answer 2. Concerning the trigger mechanism feature of S.8, we would have to agree with Dr. Korb's comments at the hearing. He said that the trigger mechanism contained in S.8 lacked specificity. Such a mechanism is, in our own view, of limited utility since any new GI Bill program will have to be tailored to the recruitment/retention, or even readjustment, needs as they appear at that point in time.

Question 3. On pages 3 and 4 of your statement, in explaining why you believe enactment of a new GI Bill would be premature, you state:

> We believe an educational program for service personnel would have merit should the future needs of the armed forces change. However, current Department of Defense recruitment needs are being met with the educational benefits available under present law and through other kinds of recruitment incentives, such as less costly cash bonuses. The present system is working and therefore should be allowed to continue.

If S.8 were enacted, would not the President allow the present system to continue as long as it were working and only consider replacing it with a new system when it was no longer working?

Answer 3. It is true the President could have the option of allowing the present system to continue functioning. Nevertheless, the trigger mechanism provision of S.8, would permit him to put in place in possibly 1986 - or 87 - a program designed in 1983 which could have features not consonant with the needs of the military in terms of recruitment and retention or the veterans in terms of readjustment.

Question 4. You note that you have reviewed 1,441 cases where application for a targeted delimiting date extension had been previously denied in order to determine veterans' eligibility under the revised criteria. However, you note further that out of 9,983 applications received between January 1982 and December 31, 1982, only 1,735 were approved. What is the status of your review of the 6,807 applications that were neither approved last year nor yet reviewed under the revised criteria?

Answer 4. Of the 6,807 applications that were neither approved in 1982 nor reviewed under the revised criteria of PL 97-306 as of February 28, 1983, 2,351 are now being worked for the first time; 1,466 are previously denied claims that are currently being reviewed under the provisions of PL 97-306; and 2,990 applications were denied in 1982 which do not require a review because they are not affected by the liberalized criteria under PL 97-306.

Question 5. Of the 41 percent of the applications denied in January and February, how many veterans' applications were denied because the veteran had no Vietnam-era service, how many because of failure to furnish evidence, and how many because there was no remaining entitlement?

Answer 5. We do not presently collect this specific type of data. The reasons for disapproval are generalized as falling within these categories.

Question 6. How long does it take on the average to make a determination with respect to approval or disapproval of an application for a targeted delimiting date extension?

Answer 6. Currently the average processing time for an application is 40 days.

Question 7. On page 9 of your statement, you indicate that the VA has recently published a Circular dealing with the administration of the revised targeted delimiting date extension.

Question 7A. Would you provide a copy of this Circular for the record?

Answer 7A. A copy of DVB Circular 20-83-1 is attached.

Question 7B. We have not received that Circular as far as we can determine. Could you please see to it that copies of all future DVB Circulars are promptly sent to the majority and minority staff of this Committee as they are issued.

Answer 7B. Under current distribution procedures, circulars issued by DVB (Department of Veterans Benefits) are routinely distributed to VA Regional Offices and within VA Central Office, and to recognized service organizations. We will be pleased to meet your request.

Department of Veterans Benefits
Veterans Administration
Washington, D.C. 20420

DVB Circular 20-83-1

January 14, 1983

DELIMITING DATE EXTENSIONS UNDER 38 U.S.C. 1662(a)(3)

1. Purpose. This circular provides instructions for extending the delimiting dates of veterans who are in need of training as provided by PL 97-72, "The Veterans' Health Care, Training, and Small Business Act of 1981," as amended by PL 97-306, "Veterans' Compensation, Education, and Employment Amendments of 1982."

2. Background

a. Section 1662(a)(3) of title 38, U.S.C., was added by PL 97-72 to provide an extension of delimiting dates under chapter 34 for veterans who do not have a high school diploma, and for those who are found to be in need of vocational or job training because they are unskilled.

b. Section 1662(a)(3) has been amended by PL 97-306. These new provisions revise and supersede the provisions of PL 97-72 as to the 2-year extension and are effective retroactively to January 1, 1982. The major provisions are as follows:

(1) The maximum period for a delimiting date extension has been increased from 2 to 3 years; the latest ending date for benefits under an extension has been extended from December 31, 1983 to December 31, 1984.

(2) Requirements for granting an extension to pursue an approved vocational objective or a program of apprenticeship or on-the-job training have been substantially revised to ensure as many veterans as possible qualify for an extension. In accordance with PL 97-306, the VA must allow a claim for vocational, apprenticeship, or on-the-job training, provided that basic eligibility and entitlement requirements are met and the requested program is approved, unless the VA determines that the veteran is not in need of the requested program or course in order to obtain a reasonably stable employment situation consistent with his or her aptitudes and abilities.

c. A review will be made of all claims for an extension that were previously denied where veterans were not found to be unskilled.

d. Following completion of training, the VA will provide the veteran with employment assistance to enable him or her to obtain appropriate employment.

3. Limitations of Program

a. The veteran must have had active duty service under conditions other than dishonorable, any part of which occurred during the

Vietnam era (August 5, 1964, through May 7, 1975) and be otherwise eligible for benefits under chapter 34.

b. To receive benefits for secondary training beyond his or her delimiting date, the veteran must not have a high school diploma or its equivalent.

c. Training in a program leading to a vocational objective must be training in NCD (non-college degree) courses, farm cooperative training, or correspondence training. Degree courses offered by an IHL (institution of higher learning) or NCD schools and flight training courses are not allowed under the provisions of this program.

d. The length of the extension is governed by the following:

(1) The extension for vocational, apprenticeship, and on-the-job training may not exceed the applicant's unused entitlement, except extensions for vocational training under VAR 11041 (D)(1) and (2); and

(2) The extension cannot begin before January 1, 1982, and cannot end after December 31, 1984.

4. Applications

a. Applications for delimiting date extensions under this provision must be made in accordance with the time limits specified in VAR's 11031 and 11032. Applications will be made on VA Form 22-1990 or 22-1995, as appropriate.

b. An application may be received that does not indicate that the person is applying for an extension to his or her delimiting date which has passed. These claims will not be denied if there is any possibility that the applicant may be qualified for an extension under these provisions. All such cases will be developed as appropriate.

c. If the veteran requests an extension for high school training or for vocational, apprenticeship, or on-the-job training, the claim will be developed according to the type of training requested. However, if the type of training for an extension is not specified, the case must be developed for both high school and for vocational, apprenticeship, or on-the-job training as discussed in the following paragraphs.

5. High School Training

a. If the veteran does not have a high school diploma or its equivalent, he or she will qualify for an extension to pursue a program of secondary education provided that basic eligibility and entitlement requirements are met and that the specific program requested is approved.

b. If recent educational background information is not available, the case must be developed to determine if the applicant qualifies for training. If development is necessary, the applicant will be informed at that time that benefits are limited to the amount of tuition and fees for the course, not to exceed the single veterans' rate for the appropriate training time.

6. Vocational, Apprenticeship, or On-The-Job Training. Provided that basic eligibility and entitlement requirements are met and that the program requested is approved for purposes of an extension, the veteran's claim for vocational, apprenticeship, or on-the-job training will be allowed unless the VA determines that he or she is not in need of such training to obtain a reasonably stable employment situation consistent with his or her aptitudes and abilities.

a. Development. To determine if the veteran is in need of training to obtain a reasonably stable employment situation consistent with his or her aptitudes and abilities, Adjudication personnel will obtain the following information from the veteran to the extent that it is not shown by the evidence of record and will establish a pending issue under EPC (end product code) 240.

(1) Employment History: Request the veteran to furnish a statement containing the following information concerning his or her employment situation:

(a) Whether he or she has been employed at any time from (the date which is 6 months before the date the application for an extension was received in the VA) to the present. If he or she has not worked at any time during this period, the veteran should be informed that he or she need not answer any further questions.

(b) The job titles, description of duties, and specific dates of employment for each job held from (the date which is 6 months before the date the application for an extension was received) to the present.

(c) Any dates that he or she was unemployed, excluding weekends and legal holidays, from (the date which is 6 months before the date the application for an extension was received) to the present.

(d) Any dates that he or she was employed at less than full time from (the date which is 6 months before the date the application for an extension was received) to the present.

(2) Educational and Training History. Request the veteran to include in his or her statement the following information:

(a) A brief description of all post-secondary educational and vocational training of 6 months or more which the veteran may have ever received; the dates of enrollment for all such training received; and the degree, certificate, or license received for all such training completed.

(b) A brief description of any on-job training of 6 months or more which the veteran may ever have received.

NOTE: No form, form letter, or generated letter will be developed for this purpose.

b. Determinations by Adjudication Personnel. Adjudication personnel will review all the information described in subparagraph a above which is received from the veteran along with any other evidence of record to determine if he or she is eligible for an extension without referral of the case to the VR&C (Vocational Rehabilitation and Counseling) staff (subpar. c below). The veteran's prior vocational preparation should first be examined to determine whether he or she has been employed within 6 months of receipt of his or her application for an extension in a job which requires more than 24 months of training (subpar. (1) below). If every job the veteran has held during the 6 months before receipt of the application requires 24 months or less of training, the extension can be allowed on this basis and there is no need for any additional review. If any job held within that 6-month period requires more than 24 months of vocational preparation, the evidence must be reviewed to determine whether the nature of his or her employment is stable (subpar. (2) below). If the request for an extension still cannot be allowed because the veteran's employment situation is stable, the case will be referred to VR&C to determine if the veteran's employment is consistent with his or her aptitudes and abilities (subpar. c below).

(1) Vocational Preparation

(a) If every job the veteran has held from the date which is 6 months before the date the application for an extension was received in the VA to the present requires 24 months or less of vocational preparation or training, the extension will be allowed by Adjudication personnel without further review.

(b) To determine the vocational preparation time of most jobs, refer to the publication Selected Characteristics of Occupations Defined in the Dictionary of Occupational Titles which was prepared by the Department of Labor. Copies of this publication may be obtained from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

1. In Part A of the above publication, the training length is represented by an SVP (Specific Vocational Preparation) code shown in the right column for each job. (Exhibit 1 of this circular provides additional assistance for locating SVP codes for specific jobs.)

2. For purposes of a delimiting date extension, jobs represented by SVP codes 1 through 6 will be considered as requiring 24 months or less of vocational preparation.

(c) The exact job description must be examined, not just the job title, in determining the SVP code. Frequently the job title alone will indicate a higher level than would be assigned on the basis of the job description. Consultation with the VR&C staff is recommended if questions arise as to the difference between job title and job description, or other aspects of determining whether the extension may be approved. Such consultation will expedite consideration of the veteran's request and will avoid unnecessary referrals to VR&C.

(2) Employment Situation. If the veteran's request for an extension cannot be allowed based on vocational preparation (subpar. (1) above), a determination must be made as to whether his or her employment situation is stable. This determination should be made based on the best judgment of Adjudication personnel. Consultation with the VR&C staff is recommended if there are questions in which VR&C may be of assistance, especially relating to the nature of particular types of employment and employment opportunities. If a veteran has been unable to obtain stable full-time employment during the 6-month period preceding the date the VA received the application for an extension, the extension should be allowed by Adjudication personnel without further review. No inclusive listing of criteria may be provided since each case is unique. The only factor that will always be determinative is that if a veteran has not worked at all during the past 6 months, his or her employment situation will be presumed to be unstable. The factors such as those outlined below may be considered in making the determination of whether the employment situation is stable:

(a) The type of work in which the veteran has been employed.

(b) The length and frequency of any periods of unemployment or employment at less than full time.

(c) The prospects the veteran has of obtaining full time employment in the future in a field in which he or she has an educational background and/or job training.

(3) Referral to VR&C. If any job the veteran held during the 6 months before receipt of the application for an extension requires more than 24 months of preparation and his or her employment situation is found to be stable, the claim will be referred to VR&C via VA Form 3230 for a determination of whether employment is consistent with the veteran's aptitudes and abilities. On the form Adjudication personnel will indicate that information of record shows that the veteran's employment requires more than 24 months of preparation and

that his or her employment situation is stable. Also, on the form, Adjudication personnel will request a determination as to whether the veteran's employment within 6 months of receipt of application is consistent with his or her aptitudes and abilities. There will be no final disposition of the pending EPC 240 until the determination is made by VR&C. (VA Form 22-1944, Eligibility Entitlement and Counseling Information, is not required to accompany the referral to VR&C for these determinations.)

c. Determinations by VR&C

(1) VR&C Review. To determine if the veteran's request for an extension of his or her delimiting date may be approved, VR&C will review the training and employment information submitted by the veteran in response to the development letter sent by the Adjudication Division (subpar. a above) and other evidence of record.

(a) If the VR&C staff finds that the veteran's employment during the 6-month period preceding receipt of the application is not consistent with his or her aptitudes and abilities, VR&C will notify Adjudication in writing of that finding. This communication will be signed by the VR&C Officer. The claims folder will be returned to the Adjudication Division for appropriate award action.

(b) If available information is insufficient to determine if the veteran's employment during the 6-month period preceding receipt of application for the extension is consistent with his or her aptitudes and abilities, or if available information indicates that the veteran's employment is consistent with his or her aptitudes and abilities, VR&C will schedule a development interview with the veteran in all such cases. The veteran will be offered an appointment for an interview at a specific date and time. An individually dictated letter will be sent to the veteran by VR&C advising him or her that available information does not allow the VA to approve the extension, and an interview is being offered to enable the veteran to present such additional facts that would help the VA to make a correct decision. If an interview is arranged, but the veteran does not appear, there will be no followup. VR&C will clearly indicate for the claims folder that the veteran failed to report and will return the folder to the Adjudication Division for disposition of the pending issue.

(2) Criteria for Determining Whether the Veteran's Aptitudes and Abilities Are Consistent with Employment. The following criteria will be used to determine if the veteran's aptitudes and abilities are consistent with employment the veteran held during the 6-month period before receipt of application both in reviewing education, training and employment history, and/or the information developed in an interview with the veteran.

(a) The veteran's employment will be considered consistent with his or her aptitudes and abilities only if either of the criteria in subparagraphs 1. or 2. below are met.

1. The veteran was employed in an occupation for which he or she has acquired 2 years or more of formal educational or vocational training. This is in contrast to specific vocational preparation, represented by an SVP code, which is based on a broad range of formal and informal training and employment experiences. Formal training may be only a minor component of the SVP code in many cases.

2. Although the veteran was not employed in a field in which he or she has at least 2 years of formal educational or vocational training,

a. He or she had earnings and benefits commensurate with those of persons in the field of his or her employment, and

b. The findings of standardized measures of aptitudes are consistent with employment. If, for example, a veteran with 4 years of formal education in English literature was employed as a supervisor of computer operations (SVP code 7), his or her aptitudes will be considered consistent with current employment if standardized measures of aptitudes indicate that the demands and requirements of the computer operations job are consistent with the veteran's pattern of aptitudes.

(b) The criteria in subparagraph (a) above are not met if the VR&C staff finds that:

1. The veteran has secured employment in a job requiring 2 years of formal educational or vocational training even though the veteran does not have such training, but continued employment is contingent upon his or her receiving such additional training; e.g., Veterans Readjustment Appointment, or apprenticeship or other on-the-job training;

2. The veteran has received written notification that his or her job will terminate within 3 months;

3. Technological changes are rapidly making the veteran's skills and training obsolete for the employment situation which would otherwise result in a denial of the extension request;

4. The veteran's service and/or nonservice-connected disability is making it increasingly difficult for the veteran to maintain his or her employment, or the current employment is aggravating his or her disabilities; or

5. The veteran is no longer employed in a vocation which requires 2 or more years of formal educational or vocational training.

(3) VR&C Action Following Interview

(a) If the veteran is eligible for an extension, the veteran will be informed of this decision at the time of the interview. VR&C will notify Adjudication in writing of the decision over the signature of the VR&C Officer. The claims folder will be returned to the Adjudication Division for appropriate award action.

(b) If the veteran is ineligible for an extension, he or she will be informed of this decision by the VR&C staff at the time of the interview to resolve any questions the veteran may have concerning the denial. The VR&C staff should review all the criteria for denying an extension and the way in which the veteran's employment, training, aptitudes, and abilities meet these criteria. Except for veterans with compensable service-connected disabilities, counseling services subsequent to a determination of ineligibility are limited to using information of record or information developed in the course of the interview to assist the veteran and informing him or her of the availability of services offered by the CDC (Career Development Center) and/or State employment service, as appropriate. VR&C will also send the veteran an individual letter informing him or her of the specific reasons for the denial and of his or her appellate and procedural rights. A copy of this letter will be filed in the claims folder. The claims folder will be routed to the Adjudication Division for final disposition of the pending issue. Any notice of disagreement will be referred to the VR&C Division for necessary action including preparation of a statement of the case.

7. Counseling Requested. If a veteran requests counseling as part of his or her application for a delimiting date extension, counseling services, other than the development interview, by the VR&C staff will be provided only if he or she is eligible for an extension or if his or her delimiting date has not passed at the time of application.

a. If the veteran is found to be eligible for an extension by Adjudication, the request for counseling will be referred to VR&C along with a VA Form 22-1944.

b. When the request for an extension must be referred to VR&C to determine if aptitudes and abilities are consistent with current employment, VR&C will furnish requested counseling only if the veteran is found to be eligible for an extension. If a development interview is required (par. 6c(1)(b) above), requested counseling will be furnished following the development interview. The VR&C staff may request preparation of VA Form 22-1944, as necessary, in these cases.

c. If the veteran's request for counseling cannot be granted because the veteran is not eligible for an extension, the procedural and appellate rights will apply to both the denial of the extension and the denial of the request for counseling.

8. Administrative Decisions. No formal administrative decision is required if an extension is allowed or denied for pursuit of high

school, vocational, apprenticeship, or on-the-job training under section 1662(a)(3). However, a formal decision is required in situations referred to in DVB Manual M21-1, paragraph 14.33; e.g., character of discharge determinations.

9. Beginning and Ending Dates for Extension

a. Beginning Date. The beginning date of any extension under this provision will be the latest of the following dates:

(1) The beginning date of attendance or training as certified by the school or training establishment;

(2) The veteran's original delimiting date under VAR 11042 or extended delimiting date under VAR 11043; or

(3) January 1, 1982.

NOTE: The application or enrollment certificate must be received within 1 year of the beginning date of the course (VAR 14131(A)(2)) except for claims reviewed under paragraph 15 of this circular.

b. Ending Date. The ending date (last date of payment) will be the earlier of the following dates:

(1) The last day of attendance or training as certified by the school or training establishment; or

(2) December 31, 1984.

10. Award Procedures

a. Change of Delimiting Date. Training under this provision will require an extension to the veteran's delimiting date. For this reason the original delimiting date in the system must be adjusted to allow payment of benefits under the extension. The revised delimiting date under the extension will be the NONE date of the award under the extension, but not later than January 1, 1985.

(1) Target Processing. If the award is to be processed in the Target System, the delimiting date will be adjusted on the 310 screen, Chapter 31/32/34 Eligibility, in the DISAB fields.

(a) If the veteran's original delimiting date is earlier than January 1, 1982, enter "1-1-82" in the DATE field. In the MOS and DAYS fields, enter the appropriate time to generate the correct extended delimiting date.

(b) If the veteran's original delimiting date is on or after January 1, 1982, but earlier than January 1, 1985, enter the appropriate amount in the MOS and DAYS fields to generate the correct extended delimiting date. Make no entry in the DATE field.

(2) Non-Target Processing. Although use of the Target System for award processing is preferable, magnetic diskette or OCR documents may be used.

(a) If OCR processing is used, it is important to ensure that the entry in the DELIMIT BASE field has been processed before the OCR award is submitted.

(b) If magnetic diskette processing is used, the veteran's delimiting date must be extended by using the field DELIMIT BASE (field No. 375). The entry in this field will be:

1. A six-position entry in the month-day-year (MMDDYY) format;

2. A date that is 10 years and 1 day earlier than the NONE date of the award under the extension, or December 31, 1974, whichever is earlier; and

3. Made as part of an original Certificate of Eligibility or as a master record correction.

b. Entitlement

(1) High School Training. Entitlement will not be charged for benefits paid for high school training. However, to be entitled to benefits for such training, the veteran must have remaining entitlement. If entitlement is exhausted, no buy-back of entitlement will be allowed.

(2) Vocational, Apprenticeship, and On-The-Job Training. Entitlement may be extended for vocational training as provided under VAR 11041(D), but not beyond December 31, 1984, provided the veteran has remaining entitlement. No extension of entitlement is permitted for apprenticeship and on-the-job training. No buy-back of entitlement will be allowed if entitlement is exhausted.

c. Rate of Payment

(1) High School Training. Payment will be limited to the cost of tuition and fees charged, not to exceed the single-veteran institutional rate for the particular training time. There will be no charge to entitlement. (See subpar. b(1) above.)

(2) Vocational, Apprenticeship, and On-The-Job Training. The rates of payment will be those as specified in 38 U.S.C. 1682(a) and 1787(b) (VAR 14136(A) as amended by PL 96-466).

d. Folder Pull Indicator. In cases where the delimiting date has been extended, the FOLDER PULL REQUIRED field on the Target M24 screen will be set using code "Y," CLAIM MUST BE PROCESSED WITH FOLDER.

e. Diary Issue for Followup Notice

(1) When the award is processed via Target, OCR, or magnetic diskette, a diary issue will be established using the Target 103 screen, Pending Issue Control. The following will be entered:

(a) In ESTABLISH NEW ISSUE, enter end product code 400.

(b) In SUSPENSE DATE, enter a date approximately 60 days before termination of the award which may be more than 1 year in the future. However, there are exceptions in which the suspense date will be as follows:

1. The completion date of the course may extend beyond the termination date of the award if, for example, entitlement is exhausted before the scheduled completion date of the course, or the completion date extends beyond December 31, 1984. In such cases, enter the termination date of the award as the suspense date.

2. If training is by correspondence, enter a date approximately 1 year from the beginning of the award unless there is evidence to indicate an actual expected completion date of the course.

(2) The suspense date will be revised appropriately if the completion date of the course changes at a later date.

(3) If a control cannot be established in the Target System, a local control will be established.

(4) When the diary issue matures, a followup letter, as shown in exhibit 2 of this circular, will be sent to the veteran. This letter will be locally produced and will be over the signature of the Adjudication Officer.

NOTE: No local form or form letter will be developed for this purpose.

11. Notice to Applicant

a. Extension Allowed. If the veteran's application for an extended delimiting date is approved, Adjudication personnel will notify him or her by dictated letter of the extension. In addition to the required information contained in generated award letters, the following must be provided:

(1) If the school certifies a beginning date earlier than January 1, 1982, or an ending date later than December 31, 1984, the veteran must be notified of the reason that the award cannot begin earlier, or end later, than these dates.

(2) He or she must be informed that additional educational benefits are being paid based on evidence which shows that he or she is eligible for a delimiting date extension under 38 U.S.C. 1662(a)(3). He or she will also be informed that this determination applies only to the specific course or program for which the extension is approved.

(3) The veteran will be informed that employment assistance will be available upon his or her request when he or she completes the course or program.

b. Extension Denied

(1) If the veteran's claim is denied because evidence shows that his or her current employment is consistent with his or her aptitudes and abilities, he or she will be informed of the denial by VR&C personnel. (See par. 6c(3)(b) above.)

(2) If the claim is denied for a reason other than (1) above, Adjudication personnel will inform the veteran of the denial by dictated letter. Further, if the claim is denied because the veteran selected an associate degree program in a vocational field, such as automobile mechanics or welding, the applicant will be informed that he or she may want to consider selecting an alternative program with a vocational objective since a non-degree program may be allowed provided all other requirements are met. In all cases VA Form 1-4107, Notice of Procedural and Appellate Rights, will be enclosed.

12. Work Measurement

a. Adjudication. EPC 240 will be taken for approvals and denials of delimiting date extensions under section 1662(a)(3). Only one EPC 240 may be taken on each claim; it may not be recorded as final until the claim is allowed or denied regardless of whether or not the case is referred to VR&C.

b. VR&C

(1) EPC 777 will be taken for substantive consultation requested by Adjudication staff.

(2) EPC 777 will be taken for the review of training and employment information and the determination made on referrals from Adjudication, unless an EPC 777 was previously taken for a prior consultation.

(3) EPC 709 will be taken for scheduling of the development inter view to determine the consistency of the veteran's aptitudes and abilities with employment held at the time of application.

(4) EPC 717 will be taken for the development interview or requested counseling which the veteran is eligible to receive.

NOTE: Work measurement credit will be taken in accordance with the guidelines established in DVB Circular 28-80-3, Appendix L, Revised, Vocational Rehabilitation and Counseling Edn Products.

13. Change of Program

a. If the veteran's request for a delimiting date extension is allowed, the determination allowing the extension will apply only to the specific course or program for which application is made. Another program may be developed but will require another determination as described previously in this circular.

b. The change of program restrictions under 38 U.S.C. 1791 apply to the total of all program changes for benefits the veteran received before his or her delimiting date and changes of program within the extended delimiting period. For example, if the veteran applies for an extended delimiting date but has already received benefits for two different programs before his or her delimiting date, development for another change of program as specified in DVB Circular 22-80-37, Revised, will be accomplished concurrently with any other necessary development as discussed in paragraphs 5 and 6 above.

14. Awards Terminating on Delimiting Date. Situations will occur in which predelimiting date awards for secondary, vocational, apprenticeship, and on-the-job training will end as of the veteran's delimiting date although the enrollment period extends beyond that date. For example, an enrollment is received for vocational training beginning January 11, 1983, and ending January 11, 1984 but the award terminates benefits as of the veteran's delimiting date on June 2, 1983. The veteran in such a case will be notified when the predelimiting date award is processed that benefits for secondary, vocational, apprenticeship, or on-the-job training, as appropriate to the case, may be continued beyond his or her delimiting date if basic eligibility exists by providing the information as follows.

a. Secondary Training

(1) The notice concerning extended benefits must inform the veteran that payments for secondary training will be limited to the cost of tuition and fees. To apply for an extension, he or she will be notified to submit the following no earlier than 60 days before his or her delimiting date:

(a) A statement that he or she requests benefits for further secondary training beyond his or her delimiting date;

(b) A statement as to when he or she expects to receive a high school diploma or its equivalent; and

(c) A current enrollment certification which certifies attendance beyond his or her delimiting date.

(2) Benefits may be extended beyond the delimiting date if the evidence received indicates that he or she is continuing in training on or after that date; that he or she has not received a high school diploma or its equivalent; and that all other requirements for an extension are met.

b. Vocational, Apprenticeship, and On-The-Job Training

(1) To apply for continued benefits for vocational, apprenticeship, and on-the-job training beyond his or her delimiting date, the veteran will be required to submit the following no earlier than 60 days before his or her delimiting date:

(a) A statement that he or she requests benefits for further vocational, apprenticeship, or on-the-job training, as appropriate in the case;

(b) The information as described in paragraph 6a above. The period for consideration of employment history (par. 6a(1) above) will begin 6 months preceding the veteran's request for an extension (subpar. (a) above.); and

(c) A current enrollment certification that certifies enrollment in training beyond his or her delimiting date.

(2) Benefits may be extended beyond the delimiting date if evidence shows that the veteran is continuing in training beyond that date and that he or she meets all the requirements for the extension.

15. Review of Claims Previously Denied. All claims in which the veteran was not found to be unskilled under the criteria established in DVB Circular 22-81-15 will be reviewed as soon as possible using the criteria described in this circular, including referral to VR&C, if necessary. Regional offices were requested to maintain lists of denied applications effective April 1, 1982. If available, claims denied before that date should also be reviewed.

a. In reviewing previously denied claims, further development relating to employment should be kept to a minimum. However, these cases must be developed to the extent necessary to make a correct determination of eligibility for an extension. The date of application for eligibility determinations for an extension will be governed by the date that the initial claim for an extension was received.

b. If the information of record is not sufficient to grant an extension, the veteran will be informed by dictated letter of the revised criteria and invited to file a reopened claim. The information which will be necessary to determine eligibility (see par. 6a above) should be requested at this time.

c. If the original claim was denied but is allowed upon review, the following actions will be taken:

(1) The administrative decision on file finding the veteran not unskilled will be annotated "Decision changed -- extension approved -- PL 97-306." If there is no administrative decision on file, annotate the letter of denial.

(2) The veteran will be informed by dictated letter of the amended decision and will be furnished a certificate of eligibility if a program had been previously specified. He or she also will be sent a VA Form 22-1995 and informed that he or she may select a different program and/or school if there has been a change in plans since he or she submitted the original application for an extension.

(3) If no specific program was indicated, a VA Form 22-1995 will be sent as an attachment to the dictated letter.

d. Work measurement credit for all reviewed claims will be the same as discussed in paragraph 12 above.

16. Inquiries to VSD (Veterans Services Division). VSD personnel who receive inquiries from veterans desiring employment assistance under the extended delimiting date provisions of section 1662(a)(3) will refer them to the following sources of counseling, subject to local availability, in the order listed:

a. CDC (Career Development Center);

b. LVER (Local Veterans Employment Representative) and/or DVOP (Disabled Veterans Outreach Program) staff at the regional office;

c. LVER and/or DVOP staff at the office of the State employment security agency nearest the veteran's residence.

17. Statistics

a. A report (including a negative report if no applications for extensions are received) will be submitted to the Field Director (722A) on a monthly basis. The report is designated as RCS 22-28. The information for the RCS 22-28 report as described in DVB Circular 22-81-15 will be discontinued as of the quarter ending December 31, 1982. Data for the items in subparagraph b below will be collected effective January 1, 1983.

b. Regional offices will report the following information:

(1) Number of applications received for delimiting date extensions during the current month.

(2) Number of new applications approved for delimiting date extensions during the current month for the following types of training:

(a) High school training;

(b) Vocational, apprenticeship, or on-the-job training.

(3) Average processing time, from date of claim to date of notification, of all new applications approved for extensions. The average time will be computed for applications approved for the current month only.

(4) Number of new applications denied for delimiting date extensions during the current month for the following reasons:

(a) High school training denied because claimant has high school diploma or equivalency certificate.

(b) Vocational, apprenticeship, on on-the-job training denied because claimant's employment is consistent with aptitudes and abilities.

(c) Vocational, training denied because claimant requested an NCD program with an educational objective where an associate degree is granted upon completion; e.g., associate in science degree in welding.

(d) Other reasons for denial (total number). Include in this category all denials for failure to furnish requested evidence or failure to report for VR&C development interview.

(5) Average processing time from date of claim to date of notification, or date of denial if for failure to furnish evidence, of all new applications denied. The average time will be computed for applications denied during the current reporting month only.

(6) Claims reviewed under the revised criteria that had been previously denied under the criteria set forth under DVB Circular 22-81-15 (See par. 15 above.) These reviewed cases will not be reflected in the statistics for new applications as discussed in subparagraphs (1) through (5) above.

(a) Number of extensions approved upon review under revised criteria;

(b) Number of denied extensions confirmed upon review under revised criteria.

NOTE: The above statistics will not reflect delimiting date extensions for disability.

(c) This report must be received in Central Office no later than the 10th workday following the end of the month. The first report will be due in Central Office the 10th workday of February 1983 to reflect statistics for all cases reviewed under the revised criteria in this circular. The final report will be due the 10th workday of January 1985. (VARO Manila is exempt from submitting this report.)

NOTE: Maintain a list by name and file number of all veterans whose applications for extensions are denied. Do not include this list with the monthly report to Central Office.

18. Distribution. Sufficient copies of this circular are being distributed to allow regional offices to furnish a copy to the educational institutions within their jurisdiction.

19. RESCISSION: DVB Circular 22-81-15 and changes 1, 2 and 3.

Dorothy L. Starbuck
DOROTHY L. STARBUCK
Chief Benefits Director

Distribution: CO: RPC 2904 plus 2 additional copies to (723);
FD 5 copies to (722A); 2 copies to (063)
FLD: RPC 2224 plus VBC, 1 each; DVBE, 1 each
EX: ASO and AR, 1 each

DVB Circular 20-83-1 January 14, 1983

Exhibit 1

GUIDE FOR LOCATING SVP (SPECIFIC VOCATIONAL PREPARATION) CODES FOR SPECIFIC JOBS

1. An SVP code for a job may be located by finding the DOT title for that job in part A of Selected Characteristics of Occupations Defined in the Dictionary of Occupational Titles, hereafter referred to as Selected Characteristics of Occupations. (App. D of the above publication has a full explanation of the SVP codes.) In part A, jobs are grouped according to related characteristics. For example, the job of a helper in a dry cleaning operation can be located directly by referring to the job grouping "Laundering, Dry Cleaning" (pp. 211-212) in part A. The specific title for that job is "Dry-Cleaner Helper" (DOT code 362.686-010). The SVP code for the job is indicated as "2" in the right column.

2. If it is difficult to find a job in part A of Selected Characteristics of Occupations, the job may be located by referring to the "Industry Index" (pp. 1363-1367) in the Dictionary of Occupational Titles. (Copies of this publication are located in VR&C and the Liaison activity; additional copies may be obtained from the Superintendent of Documents.) This index lists categories of industries alphabetically and provides a reference to jobs within a specific industry in the section designated "Occupational Titles Arranged by Industry Designation" (pp. 1157-1361). Within each industry designation jobs are listed by DOT title and code.

a. In the example of a helper in a dry cleaning operation, the DOT code can be found by locating the industry title in the "Industry Index." In the "Industry Index" (p.1363) the "Cleaning, Dyeing, and Pressing Industry" is shown to be located on page 1201. Under this title beginning on page 1201, the listings of jobs within the industry can be found. The title, "Dry-Cleaner Helper," can be located in this group of similarly related jobs. The DOT code of 362.686-010 can then be obtained.

b. Once the DOT code is determined for a specific job, the SVP code can be located by first referring to part B of Selected Characteristics of Occupations. This section lists jobs numerically by DOT codes. The DOT code provides a reference of a GOE (Guide for Occupational Exploration) code by which jobs are grouped in part A.

c. In the example of a dry-cleaning helper, DOT code 362.686-010, provides a reference to GOE code 06.04.35 in part B. The listing under that GOE code (06.04.35) in part A indicates that a "Dry-Cleaner Helper" has an SVP code of "2".

Exhibit 2

Our records indicate that your training program will be completed in the near future. The law that extended your eligibility for training under the G.I. Bill also provides that you may receive employment assistance on completion of training.

If you are interested in learning about the assistance available to help you locate employment, please write, call or visit a Veterans Benefits Counselor at your nearest VA regional office or VA office listed in the white pages of your local telephone directory under U.S. Government, Veterans Administration.

Please refer to this letter when you contact the VA.

*U.S. Government Printing Office [illegible]

Chairman SIMPSON. And now the next witness, Dr. Kenneth Coffey, please, Associate Director for Federal Personnel and Compensation Division of the General Accounting Office.

Good morning, sir, how are you?

TESTIMONY OF DR. KENNETH J. COFFEY, ASSOCIATE DIRECTOR (MILITARY PERSONNEL), FEDERAL PERSONNEL AND COMPENSATION DIVISION, GENERAL ACCOUNTING OFFICE, ACCOMPANIED BY JIM JOHNSON

Dr. COFFEY. Good morning, Senator. I would like to introduce Mr. Jim Johnson, my colleague from GAO.

Senator, we appreciate the opportunity and I'll limit my remarks to cost-benefit aspects of S. 8 and educational assistance benefits in general.

In the context of the roofing business which you discussed earlier: Whereas the roof is not currently leaking, we'd have to say that there is dry rot in the underpinnings.

Chairman SIMPSON. Very good. Very good.

Dr. COFFEY. Thank you.

We have noted that there are no across-the-board problems in recruiting or retaining the right aggregate numbers of people. However, there are problems and will continue to be problems in recruiting sufficient numbers of high quality men to serve in the enlisted ranks, specifically in the combat arms, or with the aptitudes needed for certain high technical jobs, particularly in the Army.

There also are problems in retaining the right number of people with the right mix of occupational skills and experience. This has varied tremendously from service to service, grade to grade, and occupation to occupation.

The problem is and will continue to be one of imbalance, both occupational imbalances and imbalances by experience level. How severe any of these manpower problems are at any particular time is influenced by many outside factors such as: Increase or decrease in the unemployment rates and relative size of the enlistment population. And these problems are very dynamic and very fluid. A problem today might not be a problem next month or next year. And both the supply of the right kind of people and the demand for them is constantly changing.

For example, for many reasons, including changes in the unemployment rate and the economy, but also including changes in basic pay and allowances, larger bonuses, and more advertising, we've noted that there has been a marked turn around in the recruiting results in the Armed Forces from the worst years ever in 1979 and 1980 to the best years ever in 1981 and 1982.

These good fortunes cannot be expected to continue, however, and it's likely that some added incentives will be needed in the future in order to attract and retain high quality youth in the right jobs in the right skills with the right experience levels.

How, then, does an educational assistance benefit program fit into this? Can it be justified?

Here are some of the negative arguments that would be advanced for educational assistance in general, and S. 8 in particular: Under most of the educational assistance programs defense managers would not have the authority to apply or remove the incentive on a timely basis as the high quality problem increases or decreases rapidly, as it has over the past 6 years.

Also, defense managers would not have the authority to target the basic incentive to a specific problem area—be it a specific service, or a particular skill.

Managers also would not have the flexibility to adjust the level of incentive as conditions change. And problems in Defense's information feedback network would prevent managers from knowing how well the incentive might be working.

Further, while we note provisions in S. 8 for evaluating the need for approving educational assistance on a periodic basis, a GI bill could soon become institutionalized and looked upon as a right rather than an optional incentive.

Also, because the incentive would be paid to many people who would not need it to join or stay in the service, much of the expenditure would be unnecessary. For example, if a GI bill were to be enacted which was limited to high school graduates, the supply of such people could be expected to increase by 5 to 10 percent. In other words, to attract every 21st or 22d additional quality recruit, we would need to pay educational benefits to the first 20.

On the other side of the ledger, here are some of the positive arguments that we would advance in support for S. 8: It's been noted, and we heartily endorse the provision, that requires the President to consider before approving the activation of the program: One, the project cost; two, recent service recruitment and retention experience; three, projected experience; and, most importantly, four, the cost of other alternatives that could be used for addressing recruiting problems.

S. 8 also contains a provision for deactivating the program upon review after several years of operation. We believe this is a good idea.

We also note the provision for careerists to retain their educational assistance rights till they're discharged; another improvement.

We also note and support the provision for funding the bill through the Department of Defense rather than the Veterans' Administration. This would cause a very critical tradeoff analysis to be conducted within the services and it is likely that the resulting judgment would be based on cost effectiveness rather than general need.

In summary, Mr. Chairman, whether the services obtain a new educational assistance or some other new incentive, we believe it is essential that the program provide managers with adequate resources, with authority to apply the resources in a timely manner, authority to make adjustments quickly, authority to target the resources to the problem areas, and good feedback to know if the incentive is working. Some incentives, such as bonus programs, contain most of these key ingredients. Other incentives, such as GI bills and educational assistance, have fewer.

If money is the answer, we support the concept that it should be focused on solving specific problems and that we don't use across-the-board expensive solutions. In all cases, tradeoff analysis is necessary and should be done among the variety of compensation and other incentives that are available to service manpower managers.

Thank you, Mr. Chairman.

Chairman SIMPSON. Thank you very much, Dr. Coffey.

You have provided us some helpful guidelines as to proper management of some armed services manpower problems, indeed management tips for any large organization.

You suggest that this committee, in considering S. 667, S. 8 or other similar bills should be guided by evaluation of their impact on the recruiting marketplace and its need and whether alternative programs would meet the manpower demands of the service in a more efficient and cost-effective manner. And as you are aware, this committee is charged with responsibility for benefits and services to veterans, and therefore bills designed in the committee for postservice personnel need to address readjustment and reintegration into civilian life, not really recruitment and retention needs.

Has the GAO ever considered this reward for service aspects when evaluating the merit of current educational programs?

Dr. COFFEY. No, sir. We've limited our evaluation of S. 8 to its impact on recruiting and retention, this being the stated primary purpose of the bill. I would add, however, that you shouldn't discount the value on the veterans, on the educational system, and on our society of providing GI bill benefits.

You mentioned that you've benefited, I also have benefited, as have many people in this room. However, if you limit discussion to the prime purpose—recruiting and retention—we believe it's essential that it be looked at in the context of alternatives and cost-effectiveness.

Chairman SIMPSON. In your testimony you also list increased pay and larger and more frequent bonuses, more money spent on recruiting and advertising, the VEAP kickers and the depressed economy as reasons for recruiting successes since 1981. Do you feel that a revitalized economy in itself would cause the recurrence of a pre-1981 recruiting problem?

Dr. COFFEY. I do, Senator. Larry Korb earlier discounted the weight of the economy on the recruiting success. I would differ with that view. There have been a variety of factors contributing to the recruiting success, but paramount has been the economy and the youth unemployment.

It also should be noted that the services always have had long lines of lesser qualified people who have been willing to enlist. They have never had problems with numbers. The problems have been in attracting and retaining high quality people. And it has taken some time for youth unemployment to reach the high quality market.

So a mere indication of youth unemployment as such is not really a very good indicator of the market we're concerned about.

The combination of the improving economy and the demographics where there will be fewer young people, do portend severe recruiting and retention problems for the services.

Chairman SIMPSON. I would think that would be lessened, however, by the activities of Congress with regard to pay and bonuses and kickers and all that which was not there before.

Dr. COFFEY. Most certainly. There's been a marked improvement over the last several years in the benefits received by personnel.

Chairman SIMPSON. I thank you very much. I have some other questions.

We have a rollcall vote on that cloture motion. And so I will submit those questions in writing and appreciate your being here. Thank you very much.

Dr. COFFEY. Fine, Senator.

[The prepared statement of Dr. Kenneth J. Coffey, Associate Director (Military Personnel), Federal Personnel and Compensation Division, General Accounting Office; GAO's response to written questions submitted by Hon. Alan K. Simpson, chairman of the Senate Committee on Veterans' Affairs; and a letter dated March 30, 1983, with additional testimony for the record on S. 691, follow:]

PREPARED STATEMENT OF DR. KENNETH J. COFFEY, ASSOCIATE DIRECTOR (MILITARY PERSONNEL), FEDERAL PERSONNEL AND COMPENSATION DIVISION, GENERAL ACCOUNTING OFFICE

Mr. Chairman and Members of the Committee:

We appreciate the opportunity to appear before you today to discuss the use of post-service educational assistance benefit programs as incentives to improve recruitment and retention. In order to address this issue within the context of the tools needed by management to achieve their manpower goals, I will divide my remarks into two sections. First, after summarizing the manpower problems of the services, I will discuss our views concerning the most appropriate use of the full range and mix of monetary incentives to attract and keep the right number and quality of people needed to man the All-Volunteer Force (AVF). Second, within this context, I will discuss some of the pros and cons of specific features often included or omitted from educational assistance proposals and how these proposals, including the ones being considered by this committee, compare with the "ideal" incentives which would allow managers to reduce their manpower problems in the most cost-efficient and effective way possible.

THE PROBLEMS--ATTRACTING HIGH QUALITY RECRUITS AND KEEPING SKILLED CAREERISTS

What, then, are the manpower problems facing the services that could be addressed and corrected by new post-service educational benefits? Since the inception of the AVF, the Active Force has never been more than about 1.5 percent below their total funded authorized strength and only in fiscal year 1979 did the services fail to meet their quantitative recruiting goals. There have been serious manpower shortfalls in the reserves, but in the Active Force there has been no across-the-board problem recruiting or retaining the right aggregate number of people--a problem that might call for an across-the-board solution. Instead, we find that:

1. Recruiting a sufficient number of high-quality men to serve in the enlisted ranks and willing to serve in combat occupations or with the aptitude needed for certain highly technical jobs has been a serious problem, particularly for the Army. On the other hand, none of the services have had major problems recruiting a sufficient number of officers.

2. Retaining the right number and quality of people with the right mix of occupational skills and experience has also been a problem that varies from service-to-service, grade-to-grade, and occupation-to-occupation. The problem has generally been one of imbalance--both occupational imbalances and by experience level. The imbalance problem can be categorized as (1) shortages in technical skill areas where there is a heavy demand in the civilian economy, (2) shortages in occupational areas which are not especially marketable but which are not very attractive to service members--combat occupations and boiler technicians for example--and (3) surpluses in some easy-to-fill jobs.

How severe any of these manpower problems are at any particular time is obviously influenced by many outside factors, such as an increase or decrease in the unemployment rate and the relative size of the enlistment age youth population--which is projected to decline by 15 percent between 1982 and 1987. I would like to emphasize that the manpower staffing problems are very dynamic and fluid. A problem today may not be a problem next month or next year. Both the supply of the right kind of people and the demand for them is constantly changing.

For example, the services, particularly the Army, faced an increasingly difficult recruiting problem in the years immediately following the termination of the Vietnam-era GI Bill in

December 1976. Despite the introduction of the less generous, contributory VEAP, a serious shortfall in the enlistment of high-quality, high school diploma graduate males occurred.

Factors, such as uncompetitive military pay rates--including special and incentive pays--as compared to private sector pay, and the reasonably strong job market during that period, may largely account for this decline. Whatever the reasons, concerned officials, both within the Congress and among the services, began to raise questions about whether an expanded educational assistance program, i.e., something better than VEAP, would improve recruitment. As a result, experiments were conducted with more generous versions of VEAP, numerous versions of a GI Bill were introduced and debated at length in the 96th and 97th Congresses, and proposals have been introduced in this session.

For many reasons, including increases in basic pay and allowances, larger and more bonuses, more money spent on recruiting and advertising, the expanded use of more generous VEAP "kickers"--up to $12,000--by the Army, and the depressed civilian economy with the accompanying high unemployment rates, there has been an abrupt reversal of recruiting trends since 1981. By the close of fiscal year 1981, about half of the enlistment decline had been restored, and, as you know, the

Department of Defense has reported fiscal year 1982 as an outstanding recruiting year for all services, even the Army, where high school diploma graduates accounted for 84 percent of their nonprior service male recruits. Data for the first quarter of fiscal year 1983 indicates that the previous year's success rate is continuing.

WHAT IS NEEDED TO ADDRESS THESE PROBLEMS?

Given the nature of the services' manpower problems, then, what might be the ideal ingredients for a management system to deal with the problems? What tools would a manager in any large organization need to overcome his manpower staffing problems in the most cost-effective and efficient manner possible?

Textbooks have been written on this topic, but it seems to us that there are basically five key ingredients.

1. Managers should have adequate resources at their disposal to deal with the problem.
2. Managers should have the authority to apply the resources in a timely manner and an early warning system to know when problems are developing.
3. The problem-solving solutions should be flexible so that managers can make adjustments to them--add to, subtract from, or apply differently--as conditions change.

4. Managers should have the authority to apply resources to manpower problems in the most cost-effective manner; in other words, to target the money to the problem.
5. Managers should have adequate feedback and evaluation systems so that they can determine whether the solutions are working and when more or less resources are needed.

Obviously, this would be somewhat of an ideal environment in which all managers would no doubt like to function. We also recognize that it may not be totally achievable, either for business or Government. There are limits to available resources and constraints on management authority. Nevertheless, within the realm of judicious oversight and control by the Congress, we believe that the tools provided to Defense managers, be they basic military compensation, enlistment and reenlistment bonuses, flight pay, sea pay, educational assistance benefits, or any of the other 40-plus components of the military's monetary incentive system, should strive to include the management elements I have just described.

IS A GI BILL NEEDED TO ADDRESS AVF RECRUITING PROBLEMS?

From this vast assortment of options available to service manpower managers, can selection of an educational assistance benefit program be justified on grounds of cost efficiency and effectiveness? A comparison of several key components of the proposed program with our "ideal" management system provides useful insights.

For example, under most educational assistance proposals, including S. 8 and the proposed VEAP enhancement (S. 667), Defense managers would not have the authority to apply or remove the incentive on a timely basis as the high-quality recruit problem increases or decreases, as it has over the past 6 years. Also, Defense managers generally would not have the authority to target the basic incentive to the specific problem area--a particular service or particular skills--thus reducing its costeffectiveness. Managers would not have the flexibility to adjust the basic incentive as conditions change, and problems in Defense's information feedback system would prevent managers from knowing just how well the incentive might be working. Further, while we note provisions in S. 8 for evaluating the need for an improved educational assistance program as a recruiting and retention incentive on a periodic basis, a GI Bill could soon become institutionalized and looked upon as a "right" rather than as an optional incentive. Further, because the "incentive" would be paid to many people who would not need it to join or stay in the service, much of the expenditure would be unnecessary. For example, if a GI Bill were to be enacted which was limited to high school diploma graduates, the supply of such people could be expected to increase by 5 to 10 percent. In other words, to attract every 21st or possibly 22nd quality recruit, the incentive would be paid to 20 others who could be expected to enlist without it. As a consequence of this, the cost per additional quality enlistee would be very high.

Up to now, my remarks have focused primarily on some of the more general features often associated with educational assistance programs. S. 8 seeks to overcome some of the disadvantages I have mentioned insofar as using educational assistance as an effective management tool; however, it retains other disadvantages. I would like, for a moment, to address specifically some features of this bill.

In our view, one of the most important positive features of S. 8, which has not been part of most other GI Bill proposals, is the provision which requires the President, upon the recommendation of the Secretary of Defense, to activate the bill after taking into account (1) the projected cost of the improved benefit program, (2) the services recruitment and retention experience and projected experience, and (3) the cost of other alternatives for improving recruiting and retention. Thus, because of the services recent recruiting and retention successes, at least in the near term, even if S.8 were enacted, it is not likely that it would be activated. However, this feature, as we read it, does not require a clear finding and determination that the improved educational benefit be used only if it is the most cost-effective alternative incentive for achieving the recruiting and retention goals. We believe the bill would be strengthened by such a requirement.

S. 8 also contains a provision for deactivating the program after taking into account the same conditions considered when the program was activated. Again, we see this as a very positive feature of this bill; however, as you know, programs of this nature are often difficult to stop once begun, regardless of whether they can continue to be justified on a cost-effectiveness basis.

The Basic Educational Assistance provision of S. 8 would pay a maximum of $9,000 over a 36-month period to any "eligible veteran." This would include officers and lower quality enlisted members where, even during the worst recruiting years, there were very few recruiting shortfalls. The Supplemental Educational Assistance feature of S. 8 is also open to officers, whose retention beyond initial service commitments generally has not been a problem. The cost-effectiveness of these specific S. 8 provisions have not been fully analyzed. However, a Congressional Budget Office (CBO) study published last March did analyze the cost-effectiveness of options very similar to these and found them to be considerably more expensive for each additional high-quality recruit gained than the VEAP as it is currently used by the services.

In constrast to most previous GI Bill proposals, S. 8 also contains a provision for careerists to retain their educational assistance rights until they are discharged, thus countering pressures to leave the service in order to "use or loose" their rights. The Supplemental Educational Assistance features of S. 8 also would encourage first-termers to extend or to reenlist in order to gain the additional benefits. This would be a desired phenomenon in most cases, but may not be the most cost-effective method of gaining such additional service.

Other positive features of S. 8 which have generally not been found in other GI Bill proposals are that:

--The educational benefits provided by S. 8 would be paid for by the Department of Defense rather than by the Veterans Administration. This should encourage Defense managers to consider the cost of educational assistance along with that of other available incentive options and through this tradeoff analysis process help the services choose the most cost-effective incentive. An additional feature not in S. 8 which would further encourage Defense managers to make realistic tradeoff analyses would be to adopt an accrual accounting approach so that future liabilities would be more clearly reflected in the current budget. This could greatly improve the management of an educational assistance program and would be consistent with the Administration proposals to use accrual accounting methods in other areas.

--S. 8 would encourage longer initial enlistments and remove incentives to leave the service in order to use the benefits, first by allowing the use of the basic educational assistance benefit while remaining on active duty and second by encouraging high-quality youth to remain on active duty for 6 years or more to gain the benefits of the supplemental assistance.

IS THE PROPOSED ENHANCEMENT OF VEAP JUSTIFIED?

Consideration by this Committee of S. 667--a bill which would require the Government to contribute $3 rather than $2 to the basic VEAP for each $1 contributed by the service member--also should be guided by an evaluation of its impact on the recruiting marketplace, its need, and whether alternative programs, including the proposed GI Bill, would meet the manpower demands of the services in a more efficient and cost-effective manner.

Concerning the need for a VEAP enhancement, all the services have reported that the basic VEAP program has had only minimal effect on recruiting. This is consistent with the findings of the March 1982 CBO study which reported the basic VEAP (without kickers) offers very little recruiting improvement. In constrast, however, the Army has reported great satisfaction with Ultra-VEAP, a program which allows up to $12,000 in bonuses to be added to the $5,400 contributed by the Government under the basic VEAP program. Of the four services, only the Army uses the Ultra-VEAP authority.

Because of the requirement for a service members' contributions under VEAP and the negative impact of this on participation rates, the overall cost of VEAP--even with the proposed enhancement--would likely be less than the cost of proposed GI Bills. Despite such lower cost, however, the question that needs to be addressed concerns the need for the VEAP program. As recent history shows, only the Army of the four services has had major problems in attracting high-quality recruits, and they have been able to counter these with the use of Ultra-VEAP and other incentives. Accordingly, we see little need at this time to enhance the basic VEAP benefit. If, however, the committee elects to approve S. 667, we urge your consideration of obtaining a corollary reduction in the amounts of Ultra-VEAP bonus monies available for payment to individual recruits by the Army.

Although beyond the scope of the S. 667 proposal, it is obvious to observers, including GAO, that the basic VEAP program is only of marginal usefulness to the services and that if the Army were able to provide educational assistance support on a selective basis in amounts equal to those currently authorized in basic VEAP and Ultra-VEAP supplement, payments of basic VEAP to other personnel could be eliminated. The committee may wish to consider such actions as part of their overall deliberations on this issue.

SUMMARY

Mr. Chairman, my remarks today extended somewhat beyond the narrow focus of one specific recruiting and retention incentive, namely educational assistance. But, what I have tried to do is present a framework for assessing the relative worth of any particular incentive in terms of whether the incentive has the key ingredients needed to be useful as a management tool. I can assure this committee that we are not biased for or against any particular incentive. Rather, our primary concern is that whatever incentive is adopted, that it be the most cost-effective incentive possible for doing the job. Again, we think that for an incentive to be most useful managers should have (1) adequate resources, (2) authority to apply the resources in a timely manner, (3) authority to make adjustments, (4) authority to target the resources to the problem areas and to stop feeding resources once the problem is resolved, and (5) good feedback to know if the incentive is working.

Some of the incentives, such as the bonus programs, contain most of these key ingredients, while others, such as most GI Bill proposals, including that before you today, have fewer. We firmly support the concept that, if additional money is the only answer, it should be focused on solving specific problems. We generally do not support across-the-board solutions such as the proposal to enhance VEAP contributions--unless the problem is truly a universal one. Also, we believe that before applying any solution to a particular problem, tradeoff analyses should be performed to identify the specific type and structure of incentive that will effectively solve the problem at the least cost. This approach in our opinion should be applied regardless of which compensation element is under consideration; be it increases in basic pay and allowances, enlistment and reenlistment bonuses, sea pay, flight pay, or educational assistance benefits.

Mr. Chairman, this concludes my formal statement. My colleagues and I would be happy to respond to any questions you may have.

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RESPONSE OF THE GENERAL ACCOUNTING OFFICE TO WRITTEN QUESTIONS SUBMITTED BY HON. ALAN K. SIMPSON, CHAIRMAN OF THE SENATE COMMITTEE ON VETERANS' AFFAIRS

Question 1. From a review of your testimony, it is not entirely clear whether GAO supports the use of educational benefits as a recruitment and retention incentive device. You question the need for the VEAP program, and you have testified that other incentives, such as bonus programs, contain more of the key ingredients to proper management than do GI Bill proposals, such as S.8.

Would GAO advocate the abandonment of educational assistance programs as a recruitment and retention tool for the Armed Forces?

Answer 1. Mr. Chairman, your question is raised in the context of using an educational assistance program as a recruiting and retention incentive; that is, a specific kind of incentive device that military manpower managers can use to help them attract and retain the number and quality of people they need. I agree with you that, in this peacetime All-Volunteer Force environment, an educational assistance program should be viewed in exactly that way. As I stated in summarizing my prepared statement, we are not biased in favor of, or against any particular incentive device, be it bonuses, proficiency pay, or educational assistance. Instead, our belief is that whatever incentive, or mix of incentives are used, that first, the specific manpower problem or need must be identified; second, the solution should be applied only to the problem and not to areas where there is no problem; and third, the solution should be the most cost-effective one available. If, after fully analyzing the manpower needs and the cost-effectiveness of various solutions, it turns out that educational assistance programs are more cost-effective than other incentives, then no, we would not advocate abandonment of such programs. If, on the other hand, the analytical evidence clearly demonstrates that educational assistance programs, or portions of them are not as cost-effective as other incentives which would achieve the same recruiting and retention result, then yes, we believe there should be a shift toward the more efficient and cost-effective approach. While there is still some dispute about whether all the evidence is in on this question, a substantial amount of analysis and study has been done by many different organizations. The preponderance of evidence suggests that educational assistance programs, including VEAP, are not as cost-effective as some other recruiting and retention incentives.

Question 2. Do you believe that participation rates in the VEAP program would increase as a result of enactment of S. 667?

Answer 2. The modest enhancements of VEAP as proposed in S. 667--an increase in the basic VEAP matching ratio from 2:1 to 3:1 and the payment of simple interest on participants' contribution--would probably marginally improve participation in the program. But, I believe the question that should be asked is whether the cost per additional high-quality recruit gained as a result of these enhancements is more or less than the cost per additional high-quality recruit gained through other programs such as bonuses or adding recruiters. The evidence available at this time suggests that the cost per additional high-quality recruit which would be gained by the proposed VEAP enhancement would be about three times that of bonuses. Also, as I mentioned in my prepared testimony, all of the services, except the Army, have reported that basic VEAP has had only a very small effect on recruiting. Further, only the Army has had major problems attracting high-quality recruits, and they have been able to counter these probelms with the use of Ultra-VEAP, enlistment bonuses, and other incentives. This, we believe, raises a serious doubt about the cost-effectiveness as a recuiting incentive of the basic VEAP program for the other three services.

Question 3. Do you believe that educational benefits can ever be a cost-effective and efficient means of recruiting and retaining high-quality personnel?

Answer 3. Yes, possibly, but only if an educational benefits program contains most of the elements of a good manpower management tool which I outlined in my prepared testimony; that is, adequate resources, management authority to apply or stop the flow of resources when and where necessary, and good information systems to know whether the program is working and whether it is still cost-effective. Implicit in these principles is the need for managers to identifv the specific manpower problems that needs to be solved, making tradeoff analyses among the various alternative solutions, and directing the selected incentive to the specific problem. Unfortunately, most if not all of the educational benefit proposals have not been made in the context of a specifically targeted mechanism to be used to solve a particular manpower problem. Instead, the proposals generally would apply educational benefits as a blanket, covering most everyone in uniform regardless of where the particular problems used to justify the program might be occuring.

UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

FEDERAL PERSONNEL AND
COMPENSATION DIVISION

March 30, 1983

The Honorable Alan K. Simpson
Chairman, Committee on Veterans' Affairs
United States Senate

Dear Mr. Chairman:

I appreciate the opportunity to provide additional testimony for the record on S. 691, the proposed "Veterans' Educational Assistance Act of 1983." The essential elements of this bill are that it would:

--Provide a basic benefit of $300 per month to all service members who complete 2 or more years of honorable service subsequent to September 30, 1983, and who have received a high school diploma (or an equivalency certificate) by the time they had completed the service requirement. This would include both enlisted members and officers, except service academy graduates and Reserve Officer's Training Corps (ROTC) scholarship recipients. Benefits would be earned at a rate of 1 month of benefits for each month of active service to a maximum of 36 months--a maximum benefit of $10,800 for all eligible members who fulfill a 3-year service commitment. In addition, the Service Secretaries would be permitted to supplement this basic benefit by up to an additional $300 per month to encourage enlistments in occupational specialties where there is a critical shortage. This supplemental benefit could add $10,800 to the basic benefit, for a total maximum benefit of up to $21,600 for 36 months by active service. Basic benefits would accrue at one-half the active duty rate for service in the Selective Reserves.

--Establish a supplemental educational assistance program for career members with 10 or more years of service. Under this program, members would contribute from $25 to $100 per month, to a maximum of $6,000 to a special fund which would then be matched on a 2-for-1 basis--$12,000 maximum--by the Department of Defense at the end of a 24-month vesting period. This special fund could be used by the member to supplement his basic educational assistance benefit or transferred to a spouse or dependent child.

--Permit career service members to use their educational benefits while on active duty in the military, and require that the educational benefits programs created by the bill be paid for by the Department of Defense and administered by the Veterans' Administration.

We do not favor enactment of S. 691. As I indicated in my March 16 testimony before your committee, we believe that, in a peacetime All-Volunteer Force environment, any educational assistance benefit program should be viewed primarily as a manpower management tool designed to help the services solve specific recruiting and retention problems in a cost-effective manner. In this context, I briefly discussed the multifarious nature of the services' manpower problems and some key ingredients a good management system should have for dealing with the specific problems. These include (1) the availability of adequate resources, (2) management flexibility to apply or stop the flow of resources when and where necessary, and (3) good feedback systems to know whether the selected incentive is cost-effectively working. Implicit in these principles is the need for Defense managers to continuously monitor the status of their manpower programs, identify specific problems that need to be solved, make tradeoff analyses among the available alternative solutions, and use the most cost-effective solution for as long as required to solve the problem.

Our review of S. 691 indicates that while it contains some attractive features from a management viewpoint, it, like most other educational benefit proposals, lacks most of the important ingredients of a good manpower management tool. For example, with the exception of the supplemental benefits, service managers would have no flexibility to apply or remove the basic benefit as needed to address specific recruiting or retention problems. Instead, the basic $300 per month benefit--to a maximum of $10,800--would be available in all four military services, to all enlisted members, and to all officers except service academy graduates and ROTC scholarship recipients.

This across-the-board application of a $10,800 benefit for a 3-year service commitment does not address the specific manpower problems the services have experienced. As I stated in my March 16 testimony, generally only the Army has experienced serious difficulty recruiting high-quality enlisted men, and these problems have generally been limited to recruiting people for combat occupations. The other services' recruiting problems have been much smaller by comparison, even in the most difficult recruiting years of 1979 and 1980. None of the services have had serious problems recruiting officers, except in some very specific skill areas. Applying a basic educational assistance benefit across-the-board, as proposed in S. 691, would result in giving many individuals an additional recruitment incentive where none is needed to induce them to join the military. Furthermore, evidence obtained as a result of the Educational Assistance Test Program authorized by Public Law 96-342 shows that an across-the-board benefit, available to all services, actually makes it more difficult for the Army to recruit high-quality men.

S. 691 contains three features which address concerns often raised about the negative affect most educational benefits proposals have on retention. We believe that two of these features--in-service utilization of basic benefits and the availability of benefits for 10 years after discharge--would help counteract the problem of members needing to leave the service in order to use the benefit within a specified time. However, we have serious reservations about the cost-effectiveness and usefulness as a retention tool of the career members supplemental educational benefit program. In essense, this special program for career members would provide up to a $12,000 bonus to any member with 10 or more years of service who wished to participate. The bill does not provide managers with any flexibility to target the bonus to those specific areas where retention problems are occurring. Instead, the service member has the option on whether or not to participate in the program and receive the bonus, even though the member may be in a surplus occupational specialty.

We appreciate the opportunity to provide our views on the educational assistance benefit proposals being considered by your committee. We would be happy to discuss these issues further with you or your staff should you desire.

Sincerely yours,

Dr. Kenneth J. Coffey
Associate Director
Military Personnel Group

Enclosure

Chairman **SIMPSON**. Let's have a 5-minute recess. I will return. If I should be delayed a bit more than that, the chief counsel and staff director, Tom Harvey, would proceed to take your testimony. I hate to do that. I don't like that. That's repugnant to me, but since you are here in this city, I'm going to do that. If you had come a distance I would ramble back under any circumstances, but that does not lessen the impact of your testimony. I just don't like to do that with people who travel a long distance to testify.

So, if you would please, we'll have a 5-minute recess and I'll return.

[Whereupon, a short recess was taken.]

Mr. **HARVEY** [presiding]. I'm sorry that the chairman has not returned from the vote that is going on on the floor, and I really can't predict just how long that's going to take.

I think that it would probably be expeditious if we'd commence and present your testimony if you would, please.

Mr. Hale, let me be sure we get all this in the record correctly. Representing the Congressional Budget Office, Robert F. Hale, Assistant Director of National Security and International Affairs; accompanied by Neil Singer, Principal Analyst, Congressional Budget Office, Washington, D.C.

Gentlemen, if you would please.

TESTIMONY OF ROBERT F. HALE, ASSISTANT DIRECTOR FOR NATIONAL SECURITY AND INTERNATIONAL AFFAIRS, CONGRESSIONAL BUDGET OFFICE, ACCOMPANIED BY NEIL SINGER, PRINCIPAL ANALYST, AND KELLY LUKENS, BUDGET ANALYSIS DIVISION

Mr. **HALE**. Thank you. I also have with me Kelly Lukens from our Budget Analysis Division.

I appreciate the opportunity to testify today. My testimony will focus on the effects of education benefits on military recruiting and retention, though there are of course some other important aspects that I will touch on.

Military recruiting and retention, as you have heard several times, are currently at historical highs and are likely to remain high for the next several years. Thus, for the next few years, there is no apparent need for added incentives such as improved educational benefits to meet military manpower needs.

Problems could develop in the mid and late 1980's, however, if military pay and benefits don't keep pace with increases in the private sector, if the military grows substantially in size, or if the economy recovers from the recession more rapidly than is forecast.

If those problems occur, and the Congress considers meeting them with improved educational benefits, it should keep in mind several findings:

First, modest enhancements in educational benefits, such as the VEAP improvement bill, S. 667, that is before this committee, add little to costs but improve recruiting by only small amounts.

Second, more far-reaching improvements in educational benefits, such as the provisions of the proposed All-Volunteer Force Educational Assistance Act, S. 8, could improve recruiting more but would also raise costs substantially, and they pose the risk of adverse effects on retention.

Third, adding recruiters or increasing bonuses are less costly ways to increase the number of high-quality recruits than almost any form of expending educational benefits.

Finally, the extension of the GI bill benefits beyond the current termination date, which is in a number of the bills before the committee, would improve retention only marginally, and would cost far more than other, equally effective retention incentives such as selective reenlistment bonuses.

Let me touch just briefly on the analysis that led to these findings.

Recruiting success is often measured in terms of the percentages of recruits holding high school diplomas and scoring high on entrance examinations given to all recruits. By these measures, recruiting is currently at or near historical highs in all the services, far above the levels of a few years ago, and better than the experience during the draft era.

As the table at the end of my testimony shows, CBO projects that in coming years recruiting will continue to meet all numerical goals while also exceeding minimum quality requirements set by the Congress. I might add that this assumes enactment of the administration's proposed pay freeze. If the Congress grants some sort of a raise in 1984, the results would be even better.

Our projections cannot rule out the possibility that recruiting problems might develop later in the decade if conditions change. But it seems unlikely that problems will develop in the next few years.

The favorable current recruiting results stem in part from the current package of military pay and benefits. The basic VEAP part of that package appears to have had little effect on either recruiting or retention. But the addition of the so-called kickers to VEAP has improved its effectiveness as a recruiting incentive. Our analysis concluded that VEAP kickers could improve recruiting in hard-to-fill skills such as combat arms by as much as 3.5 percent.

Thus, as part of the current package of recruiting programs—including recruiters, advertising, and bonuses—VEAP with kickers should contribute to continued satisfactory recruiting for at least the next several years.

If future problems occur and the Congress decided to meet them by improving education benefits it could do so by modifying current programs, which is what S. 667 would do. That bill contains three provisions as you are aware. One provision would increase the VEAP matching ratio; a second would require Defense to pay interest on the contributions into VEAP. These two provisions would improve recruiting at a cost per net additional high-quality recruit of about $100,000 according to our calculations. That's higher than using other recruiting incentives such as bonuses—at a cost of nearly $35,000 per recruit—or adding more recruiters—about $22,000 per high-quality recruit. But that is only about half the cost of a broad, noncontributory educational benefit program such as the one I will discuss in a moment.

A third provision of S. 667 would eliminate the termination date, currently specified as December 31, 1989, for benefits under the

Vietnam-era GI bill. This provision would avoid a few premature separations. But the cost would be over $500,000 per member. And that is far greater than the $40,000 to $120,000 that it would cost to retain the same members using reenlistment bonuses.

If you implemented all three of these provisions at the beginning of 1984, we estimate they would add about $3 million to budget costs in 1984 and a total of about $135 million over the next 5 years. Those costs are in constant dollars.

By 1990, when the full costs were more nearly apparent, added spending would equal about $210 million, of which $120 million would be the cost of the GI bill benefits extension.

Despite these added costs, our evaluation of the provisions of S. 667 suggest that increasing the matching ratio and payment of interest on members' contributions are effective, reasonably efficient improvements that would improve recruiting modestly. Extension of the GI bill benefits beyond 1989, however, does not seem a cost-effective way to improve retention, though it may be desirable or equity grounds.

Another bill currently before this committee is the All-Volunteer Force Educational Assistance Act, S. 8, which would establish a new noncontributory educational benefits program on a standby basis. CBO has not yet analyzed this bill in detail, but it is quite similar to an educational benefits plan analyzed last year by CBO that would improve recruiting by a net of 2 percent. Costs would eventually run about $1.1 billion a year in today's dollars, resulting in a cost of over $200,000 per additional high-quality recruit. This is, of course, higher than the cost to improve recruiting using bonuses or more limited educational benefits.

Moreover, the Educational Assistance Act, like all broad-based benefits, might fail to focus added incentives where they are most needed for recruiting—generally in the combat skills in the Army and the Marine Corps.

Certainly a positive aspect of S. 8 is the grant of standby authority to the President to begin the program upon a finding that force-manning and cost considerations warrant.

To ensure a careful decision on implementing educational benefits, the Congress should consider adding accrual funding to the Educational Assistance Act or indeed to any program. This provision would require that the full cost of liabilities being incurred would appear immediately in the budget and so ensure that costs were considered fully in any decision.

In sum, there is no apparent need for new programs to improve military recruiting in the next few years. In later years, of course, problems could develop. If the Congress decides to meet any future recruiting problems with improved educational benefits, it should design the added benefits with care to hold down costs by focusing added benefits on the areas of the greatest recruiting need.

That concludes my prepared statement. I would be glad to answer any questions.

Mr. HARVEY. Thank you very much, Mr. Hale. We have a number of prepared questions we would like to submit to you for your response in writing.

Thank you very much for joining us.

Mr. HALE. Thank you.

[The prepared statement of Robert F. Hale, Assistant Director for National Security and International Affairs, Congressional Budget Office; and CBO's response to written questions submitted by Hon. Alan K. Simpson, follow:]

PREPARED STATEMENT OF ROBERT F. HALE, ASSISTANT DIRECTOR FOR NATIONAL SECURITY AND INTERNATIONAL AFFAIRS, CONGRESSIONAL BUDGET OFFICE

I appreciate the opportunity to testify today on proposals to improve military educational benefits.

Military eductional benefits in the past have served a variety of purposes, including increasing society's educational level and helping military personnel readjust to civilian life. Recent proposals for improved benefits, however, have stressed their role in the recruiting and retention of military personnel. My testimony today will focus on that role.

Military recruiting and retention are currently at historical highs and are likely to remain high for the next several years. Thus, for the next few years, there is no apparent need for new incentives such as improved educational benefits to meet military manpower needs.

Problems could develop in the middle and late 1980s, however, if military pay and benefits do not keep pace with increases in private-sector pay, if the military grows substantially in size, or if the economy recovers from the recession more rapidly than is forecast. If recruiting problems occur, and the Congress considers meeting them with improved educational benefits, it should keep in mind several findings:

o Modest enhancements in educational benefits, such as in the VEAP improvement bill (S. 667) now being considered by this Committee, add little to costs but also improve recruiting by only small amounts.

- More far-reaching improvements in educational benefits, such as the provisions of the proposed All-Volunteer Force Educational Assistance Act (S. 8), could improve recruiting more but would also raise costs substantially in the long run and pose the risk of reducing retention as service members leave the military to take advantage of their educational benefits.
- Adding recruiters or increasing bonuses are less costly ways to increase the number of high-quality recruits than expanding educational benefits.
- Extension of GI Bill benefits beyond the current termination date of December 31, 1989, would improve retention only marginally, and would cost far more than other, equally effective retention incentives such as selective reenlistment bonuses.

CURRENT RECRUITING FORECAST

Recruiting success is often measured in terms of the percentages of recruits holding high school diplomas and scoring high on the entrance examinations given to all recruits. By these measures, recruiting is currently at or near historical highs in all services, easily meeting the Congressional requirement that no more than 20 percent of any service's recruits score in the lowest acceptable category on the entrance examination (see Table 1). At the same time, the Army, which traditionally has the most difficult recruiting problem, has increased its percentage of high school graduate recruits to 87 percent in 1982 (compared to 49 percent in 1980) and is projecting better than 90 percent for 1983. Indeed, the Army's recent recruiting success is not only the best since the All-Volunteer Force began--it is far better than the Army's experience during the draft era, when approximately 70 percent of its recruits were high school graduates.

CBO projects that in coming years recruiting will continue to meet numerical goals while also exceeding minimum quality requirements set by the Congress. Our projections, shown in Table 2, are based on CBO's baseline unemployment forecast and the military end strength set forth in the fiscal year 1984 defense program. We have also assumed that the Administration's proposed freeze on military pay for 1984 will be approved, followed by raises equal to those in the private sector in later years. Were the Congress to grant a pay raise in 1984 or a catch-up raise in a later year, this recruiting forecast would be revised upward.

Our projection does not rule out the possibility that recruiting problems might develop later in this decade. If the economy recovers at a more rapid rate than forecast by CBO, Army and Navy recruiting might fail to meet the Congressional minimums by 1988. Pay caps in 1985 or beyond could have a similar effect. Other factors that might harm recruiting include reductions in recruiting resources (advertising, enlistment bonuses, or recruiters), increases in end strength beyond those anticipated under current plans, and limitations on growth in the size [illegible] the career force (which would effectively increase the requirements for recruits within a constant force size). Finally, the services--particularly the Army--might decide that they must keep recruiting success near today's highs rather than return to the minimum standards set by the Congress. Nonetheless, it seems unlikely that recruiting problems will develop in the next few years.

EXPERIENCE WITH EXISTING VEAP

The favorable current recruiting results stem in part from the current package of military pay and benefits. These benefits include the Veterans' Educational Assistance Program (VEAP), which has been widely criticized and thus deserves discussion. The basic VEAP is a voluntary program. Service members who participate contribute between $25 and $100 a month of their pay into a fund; their contributions are matched two-for-one by the government. Maximum benefits are $8,100 if a member contributes $2,700. Those who enter hard-to-fill skills can also earn up to $12,000 in additional funds or "kickers" under the so-called Ultra-VEAP offered by the Army.

The basic VEAP appears to have had little effect on either recruiting or retention. CBO estimates that it improved high-quality recruiting by 0 to 0.2 percent and hurt retention by equally modest amounts. ("High-quality" recruits are high school graduates who score in the upper half on the recruit entrance examination.) Participation rates in basic VEAP have been rather stable since 1978 at about 30-35 percent. The program obviously does not have as broad an appeal as did its GI Bill predecessor; we anticipate that only about 20 percent of service members will use VEAP benefits, compared to over 60 percent of eligible members who are estimated to have used at least a part of their entitlement. While its effects are modest, there is no evidence to suggest that dissatisfaction with basic VEAP is increasing; for example, dropout rates from VEAP have been quite stable over the past three years.

The addition of kickers to VEAP has improved its effectiveness as a recruiting incentive. CBO's analysis concluded that VEAP kickers could improve recruiting in hard-to-fill skills such as combat arms by 3.5 percent. This finding appears to have been borne out by the Army's success in 1982 in attracting higher percentages of high-scoring high school graduates to serve in combat arms specialties. It is too early to know whether the kickers will also make retention poorer as a result of the separation incentive built into them; however, the Army has maintained that retention is not a problem in most of the skills eligible for kickers.

On balance, VEAP seems to be a program valued by a constant percentage of service members. But only last year, with the advent of Ultra-VEAP, did these benefits have major effects on recruiting. As part of the current package of recruiting programs (including recruiters, advertising, and bonuses), Ultra-VEAP should contribute to continued satisfactory recruiting in hard-to-fill skills for at least the next several years.

IMPROVEMENTS IN VEAP

If the Congress decides to meet any future recruiting problems by improving educational benefits, it could do so by modifying current programs. The VEAP improvements bill currently before this Committee proposes three such changes. CBO's analysis suggests that two of these changes are likely to improve force manning in a cost-effective way.

One provision of the bill would increase the basic VEAP matching ratio from 2:1 to 3:1, providing a maximum educational fund for members of $10,800 in return for a contribution of $2,700. A second provision would require the Defense Department to pay interest on contributions into VEAP from the date of payment until the member begins to use his benefits. At present, members receive no interest on funds contributed into their VEAP accounts, and thus their incentive to participate is attenuated.

Our analysis indicates that the overall number of high-quality recruits ultimately would increase by roughly 1,000 as the result of these two improvements to current VEAP. Poorer retention, however, would eventually offset some 30 percent of the gain. Most of the benefit from these provisions would be felt by the Army, the service with the highest VEAP participation rates. The cost per net additional high-quality recruit would reach approximately $100,000, higher than using other recruiting incentives such as bonuses (about $35,000 per recruit) or recruiters (about $22,000) but only about half the cost of a broad, noncontributory educational benefits program such as the one discussed below.

The VEAP improvements bill would also eliminate the termination date, currently specified as December 31, 1989, for benefits under the Vietnam-era GI Bill. This provision is supported by the Department of Defense, which contends that it is unfair to penalize those who would lose benefits and that many members who are eligible to receive GI Bill benefits may separate from service prematurely if the termination date is not extended. CBO analyzed this proposal last year and concluded that, while many members are indeed eligible to use their benefits, few can be expected to separate prematurely in order to use rather than lose them. We estimated that only 1,300 of the 220,000 eligible members would be lost to the services prematurely, and that the cost of retaining them by extending the GI Bill termination date would be over $500,000 per member--far greater than the $40,000-$120,000 that it would cost to retain the same members using reenlistment bonuses.

If implemented at the beginning of 1984, these three provisions would together add only about $3 million to budget costs in 1984 and a total of $135 million over the next five years (all costs in constant 1983 dollars). By

1990, when full costs were more nearly apparent, added spending would equal about $210 million, of which $120 million would be the cost of the GI Bill benefits extension.

Despite the added costs, our evaluation of the provisions of S. 667 suggests that the increased matching ratio and payment of interest on members' contributions are effective, reasonably efficient improvements that would improve recruiting modestly. Extension of GI Bill benefits beyond 1989, however, does not seem a cost-effective way to improve retention, though it may be desirable on equity grounds.

BROADER EDUCATIONAL BENEFITS PROGRAMS

Another bill currently before this Committee is the All-Volunteer Force Educational Assistance Act, which would establish a new, noncontributory educational benefits program on a standby basis, to take effect whenever the President decided that force manning required it. The Educational Assistance Act would provide a basic educational benefit entitlement of $9,000 after three years of active duty (or two years' active duty followed by four in the Selected Reserve) plus a supplemental entitlement of up to $13,500 more for service beyond three years of active duty. The Act also would authorize kickers for hard-to-fill skills and would eliminate the current GI Bill termination date of December 31, 1989.

CBO has not yet analyzed this bill in detail. But it is quite similar to a typical educational benefits plan analyzed last year by CBO in our study, Improving Military Educational Benefits. That plan was a "two-tier" approach consisting of a basic benefit of $8,100, a supplemental benefit of up to $8,100 for longer service, and kickers. We projected that our plan could improve high-quality recruiting by up to 7 percent, but that--as members left to take advantage of their benefits--poorer retention would cancel out five percentage points of that gain. The overall cost of our two-tier plan was projected at $1.1 billion annually in today's dollars in steady state, resulting in a cost of over $200,000 per additional high-quality recruit. Near-term costs, of course, would be much more modest until eligible members were able to complete service and begin to use their benefits. The Educational Assistance Act proposals would be likely to improve recruiting more, although it would add more to costs because of its larger benefit levels and the provision to extend GI Bill benefits beyond 1989. But the cost per recruit would probably be about the same as for our two-tier plan.

The Educational Assistance Act, like all broad-based benefits, might also fail to focus added incentives where they are most needed. For example, under the two-tier provision--which provides more benefits for longer service--the Air Force and the Navy, which have longer minimum terms of service, would benefit more than the Army and Marine Corps, even though the latter two services have greater recruiting problems. Combat arms skills, with short tours, would be less attractive than long-tour skills in which there are no current shortages. Extensive use of the authorization for kickers provided in the Educational Assistance Act could overcome some of these adverse incentives, but it would tend to drive up overall cost.

A positive aspect of this bill is the grant of standby authority to the President to begin the program upon a finding that force manning and cost considerations so warrant, as specified in the bill. In the event that the Congress decides that a new, broad-based educational benefits program for service members is desirable, the standby provision of the bill would help to ensure that the program is not begun before it is needed, and thus would hold down its cost.

To ensure a careful decision on the use of educational benefits, the Congress should consider adding "accrual" funding to the Educational Assistance Act or any new program. This provision would require that the full costs of liabilities being incurred would appear immediately in the budget; under the current financing approach the costs would not appear until members completed service and used their benefits. Accrual financing would help ensure that costs are properly considered in any decision to implement a new program of educational benefits for military personnel.

In sum, Mr. Chairman, there is no apparent need for new programs to improve military recruiting in the next few years. In later years, of course, problems could develop. If the Congress decides to meet any future recruiting problems with improved educational benefits, it should design the added benefits with care to minimize the chance that poorer retention will offset recruiting gains and to hold down costs by focusing added benefits on areas of the greatest recruiting need.

TABLE 1. CONGRESSIONAL CONTROLS ON "QUALITY" OF ACCESSIONS

Fiscal Year	Maximum Percent Category IVs	Minimum Percent High School Graduates
1981	25% DoD Average	Army - 65%
1982	25% Each Service	Army - 65%
1983+	20% Each Service	Army - 65%

TABLE 2. PROJECTIONS OF HIGH SCHOOL GRADUATE PERCENTAGES BY SERVICE (Numbers in parentheses show the effects of limiting the growth of the career force)

	1984	1985	1986	1987	1988
Army	86 (84)	75 (73)	75 (73)	73 (72)	70 (69)
Navy	81	78	82	71	70
Air Force	87	87	87	87	87
Marine Corps	84 (79)	81 (76)	80 (75)	80 (73)	79 (72)

RESPONSE OF THE CONGRESSIONAL BUDGET OFFICE TO WRITTEN QUESTIONS SUBMITTED BY HON. ALAN K. SIMPSON, CHAIRMAN OF THE SENATE COMMITTEE ON VETERANS' AFFAIRS

QUESTION 1.

Do you believe that eductional benefits can ever be a cost-effective and efficient means of recruiting and retaining high-quality personnel?

ANSWER 1.

Our analysis agrees with other studies and test programs in concluding that educational benefits can attract additional high-quality recruits into military service. However, educational assistance programs typically cost much more per recruit than other programs such as enlistment bonuses, production recruiters, or advertising, though they need not. According to our analysis, the most efficient form of educational assistance program is a targeted basic benefit (focused on hard-to-fill military occupations), with no retention program (second-tier benefits, transferability, or cash-out). Such an educational assistance program would be nearly as efficient as enlistment bonuses at $35,000 per recruit, but somewhat more costly than recruiters or advertising ($22,000). On the other hand, a typical broad educational benefits program--featuring benefits for all recruits--could cost $200,000 per added high-quality recruit. Moreover, it is far more efficient to retain senior military personnel with reenlistment bonuses than with educational benefits.

QUESTION 2.

In analyzing the costs of GI Bill education programs, do you project, or can you project, the amount of revenues which will return to the federal government as a result of higher earnings of those educated?

ANSWER 2.

We have made no projection of the additional revenues which the federal government might receive from the higher earnings of beneficiaries of military educational assistance programs, nor are we aware of such estimates having been made by other analysts. While there would probably be some positive effect of additional education on earnings, empirical analysis suggests that the return to college training has been falling as the number and percentage of the workforce with college education has grown. Nor is it clear that additional educational benefits would induce large numbers of added people to go to college and so generate higher earnings. Added educational benefits might well cause people to go to more expensive schools or shift the burden of payment from individuals to the government rather than causing more people to attend.

QUESTION 3.

In your view, might the recent recruitment successes which the Army has enjoyed through the use of Ultra-VEAP been achieved through less costly incentives?

ANSWER 3.

CBO has estimated the cost of a targeted educational assistance program such as Ultra-VEAP to be $45,000 per additional high-quality Army recruit. Additional production recruiters, at $22,000 per recruit, or enlistment bonuses, at $35,000, would be somewhat more efficient approaches toward improved recruiting. On the other hand, Ultra-VEAP is considerably less costly than broad-based educational benefits alternatives or across-the-board pay raises, each of which would cost some $200,000 per additional recruit.

QUESTION 4.

CBO has estimated that the armed forces will lose only 1,300 members should Congress decide not to extend the 1989 termination date for Vietnam-era GI Bill benefits. How was this estimate formulated?

ANSWER 4.

Our estimate that 1,300 service members would separate prematurely to use rather than lose their GI Bill benefits prior to December 31, 1989 was based on the value of GI Bill benefits to career personnel. The value depnds on rates of use of benefits by personnel, which vary according to length of service completed. Not surprisingly, young separatees have considerably higher rates of use than those who serve full military careers. Since most of the current service members eligible for GI Bill benefits have completed considerable terms of service (10 years or more), past experience indicates that relatively few are likely to use their benefits even if eligibility is extended. This low projected rate of use, coupled with the high value of retirement benefits that members would lose by separating prematurely and the several-year period that would elapse before they could benefit from the training they would receive under the GI Bill, combine to produce a small estimate of the value of benefits and a negligible change in retention in the face of the prospective loss of these benefits.

Mr. **Harvey**. The next witness this morning will be Dr. Franklin G. Matsler, executive director, Illinois Board of Regents, the American Association of State Colleges and Universities, Washington, D.C.

Dr. Matsler, I apologize that the chairman is committed on the floor of the Senate just now.

TESTIMONY OF DR. FRANKLIN G. MATSLER, EXECUTIVE DIRECTOR, ILLINOIS BOARD OF REGENTS, AMERICAN ASSOCIATION OF STATE COLLEGES AND UNIVERSITIES, ACCOMPANIED BY JOHN P. MALLAN, VICE PRESIDENT FOR GOVERNMENT RELATIONS

Mr. **Matsler**. Perfectly all right. And I do appreciate the opportunity to get into the record a statement by the association.

And I'd like to introduce to you Dr. John Mallan, who is the vice president of the American Association of State Colleges and Universities and who has helped me as I worked on some testimony that I'd like to present to you today.

Mr. **Harvey**. Dr. Mallan, welcome this morning.

Mr. **Matsler**. First of all, I'd say that we have in our association 354 institutions. We have about a 1½ million students, and, of course, we're very much concerned about any legislation relative to a continuation of the GI bill or an increase in the benefits.

We support both of these and our association has gone on record for a number of years supporting a new GI bill.

We have no doubts but what the bill will have a good effect on the economy of the country and on the morale of young men and women. Our experience with the GI bill after World War II and after the Vietnam war has been such to convince us that an educated population is an absolute necessity in this world when we have to compete with other nations. The Census Bureau figures just recently released show that persons with a bachelors degree make more money than people with only a high school diploma.

I do not contend that this is necessarily a completely causal relationship. I do feel that a country that has trained its young people will be much better off economically and that we cannot, in our competition with the rest of the world neglect our young people or neglect our duty to train our young people for the times ahead.

If I were to criticize the bill I think the primary criticism would be that it perhaps does not provide sufficient funds for what is needed today to get through school. In our institutions in Illinois, we estimate that the total cost is about $4,200 to $4,300. This cost can be broken down into three major areas: The first, tuition, at about $1,000; the second, the cost for room and board, which is about $2,000; and then incidental costs—books, transportation, and the like, another $1,000. So it's over $4,000 needed for higher education in most of the colleges and universities that I represent.

Now, I'm pleased that a 15-percent increase is being proposed for the existing GI bill, but I contend that it probably isn't enough, that there ought to be probably some thought given to increasing that amount.

Before leaving for Washington, yesterday, I spoke with Gen. John Phipps, the commander of the Illinois National Guard. He informed me that in questioning the young men and women in the National Guard at Springfield, Ill., over a third of them indicated that their overriding reason for joining the National Guard was the benefit provided by the State of Illinois to members of the National Guard with respect to scholarships that they were going to receive as members of the National Guard.

Incidentally, one other question asked by General Phipps was, What are the main reasons why you joined that National Guard? The first one was the GI—the benefits, the educational benefits. The second was that it had provided a part-time job. And then the third was, and this was an interesting thing, many of them said they felt it was their patriotic duty to join the National Guard. And he noticed that this was a change in the thinking of young people and I thought that was rather interesting.

But very important, I think, is the thought that perhaps new recruits just into the Army today, into the other services, should be asked a question as to what they know about the educational benefits. What are the statistics relative to what they actually say as to why they joined the service? I think that might be a good test as to the efficacy of a program like this.

Two years ago I visited India and I learned that the caste system there still exists and that probably there is no way to move from a low caste to a higher caste during a lifetime. Here in America people have a way of moving from one caste to another. Of course, we don't have a caste system, but we do have socioeconomic levels. I believe that education is probably one of the greatest equalizers that exists.

I spoke to many educational leaders throughout my State during the last few days prior to thinking about coming here, asking them what they thought of the GI bills of the past. I often received the comment that if it had not been for the GI bill the person speaking would not have achieved what that person had achieved actually in life today.

It was very interesting; persons who had gone through the GI bill have tremendous respect for it.

Now let me just summarize some observations if I could. I hope that the bill can remain as simply stated as possible, and I think it is very well stated now. And I hope that the administration of the bill will provide for a maximum flexibility on the part of the universities.

Next, the funding, I think, of this bill should not reduce other higher education programs that we now have. And of course, the way that's set up now, as I understand it, it would be coming out of defense as opposed to other sources.

Three, allowances should be made for bona fide experimental programs such as now being carried out by many universities. These programs include television offerings, radio courses, off-campus courses, and other accredited programs.

And four, adequate funding should be provided. Although the current proposal appears generous, the basic education assistance amounts are rather low, and as a matter of fact, only about half of what it actually costs to attend some of our institutions.

Thank you very much. I'm very glad to be here.

Mr. **HARVEY**. Dr. Matsler, thank you very much. Thank you for joining us this morning. We have a number of questions which will be submitted to you and if you'd respond in writing to those please we'd be most appreciative.

Mr. **MATSLER**. Most happy to do that. Thank you.

Mr. **HARVEY**. Thank you.

[The prepared statement of Dr. Franklin G. Matsler, executive director, Illinois Board of Regents, American Association of State Colleges and Universities, and AASCU's response to written questions submitted by Hon. Alan K. Simpson, follow:]

PREPARED STATEMENT OF DR. FRANKLIN G. MATSLER, EXECUTIVE DIRECTOR, ILLINOIS BOARD OF REGENTS, AMERICAN ASSOCIATION OF STATE COLLEGES AND UNIVERSITIES

The American Association of State Colleges and Universities (AASCU) is deeply interested in legislation to increase the benefit levels allowed under the Vietnam-era G.I. Bill, to create a new peacetime G.I. Bill, and to improve the incentives for qualified men and women to enter the military and where appropriate to consider making it a career.

Our institutions have educated hundreds of thousands of veterans after each of the past three wars. We also work closely with the military as the lead agent for the Servicemembers Opportunit College (SOC), program, which involves many hundred of colleges, four-year and two-year, public and private in off-duty education programs at military bases all over the world.

We want to comment not only on the specifics of S. 8 and S. 9, but on the general principles we think should be considered in developing any new legislation.

....

S. 9. Increased Benefits

There is no question that benefits today are not enough to help many veterans attend college. The cost of college has shot up astronomically in recent years, as all of us know. Many public four-year colleges now cost over $4,000 a year including living costs. Many two-year colleges cost over $3,000. Private institutions are still more expensive.

The recent recession has hit very hard in many states, as all of us are aware. One casualty has been higher education, as fiscal shortfalls have forced many states to raise tuition. Earlier studies by the Veterans Administration found that a much smaller percentage of veterans attended college--any college--in states with high public college tuition. This problem has been made worse for those veterans still in college now or still planning to attend.

The problem has been intensified for the many older veterans still eligible for Vietnam-era benefits. Most are married, many have families, and the costs of the college are particularly great for them. Many go part-time, and we believe that a special case can be made for increasing the benefits paid to part-time veteran students, most of whom have substantial costs in addition to tuition.

We hope, therefore, that Congress will act on legislation such as S. 9.

S. 8. A New Peacetime G.I. Bill

Principal features of S. 8 include a basic educational assistance benefit of $250.00 per month for veterans who have served three years on active duty, or two or more years plus an agreement to serve in the reserve for another four years.

For those serving six years of active duty, or four years plus four years reserve, there is a supplemental educational assistance benefit of an additional $375 a month, or $625 a month in all.

There are also provisions for additional benefits in cases in which the Secretary of Defense wishes to attract or retain specific categories of personnel.

Benefits are to be paid by the Department of Defense.

....

We are appreciative of the intent in S. 8 to help recruit and retain adequate military manpower, and at the same time to enable these men and women to advance themselves in later life. However, we point out at least three ways in which this legislation might be made effective in achieving its purpose.

Family Allowances

Unlike each of three previous G.I. Bills, this legislation does not include family allowances. Since many veterans will be married and have families, this is a further limitation on their ability to take advantage of the benefit.

Transferability of Benefits

G.I. legislation considered in 1981-82, notably H.R. 1400, included a feature which made it possible for a serviceman or woman to transfer benefits after ten years or more on active duty to a spouse or children. House Veterans Affairs Committee hearings in the field revealed a great deal of enthusiasm in all ranks of the military for this idea. Providing for the college education of one's spouse or children has a great appeal in the service, and is one way to encourage many especially well-qualified people to stay in.

Education Leaves

Another section of H.R. 1400 made it possible for servicemen to obtain leaves of one to two years, to complete an educational program. The right was limited in various ways; it was at the discretion of the military, and the person had to agree to serve two more years for every year of leave granted. Nevertheless, this constituted another way to encourage people to stay in service and to upgrade their abilities for both military and postmilitary duty.

We would like to make one final point. G.I. Bill benefits should in no case be used to replace other student aid programs. Existing student aid is also far below need, as we have pointed out to the education committees of Congress. Both veterans and non-veterans need more assistance.

....

Again, we appreciate the interest which the Committee has shown in a peacetime G.I. Bill. We stand ready to help in any way we can as the Congress considers this matter.

RESPONSE OF THE AMERICAN ASSOCIATION OF STATE COLLEGES AND UNIVERSITIES TO WRITTEN QUESTIONS SUBMITTED BY HON. ALAN K. SIMPSON, CHAIRMAN OF THE SENATE COMMITTEE ON VETERANS' AFFAIRS

Question 1. I noted that your testimony does not address S. 667, our proposal to enhance the benefits provided under the VEAP program. How would you assess that program and do you believe that the level of benefits which would be provided under S. 667 would result in meaningful educational assistance in today's economy for a peace-time All-Volunteer force?

Answer 1. We have had the impression that participation in VEAP has not included very many military personnel, and that it is not a strong enough program for meaningful recruitment and retention. If DOD has studies on this point, it would be helpful if they could be fully shared. In any case, increasing the level of benefits under VEAP would certainly help.

Question 2. Do you support that provision of S. 667 which would allow the rate of educational benefit payout to be determined by the VA Administrator when necessary? For instance, a VEAP participant who wants a 2-year masters program, could receive his/her benefits in 2 years, rather than 3.

Answer 2. I think we would have no objection to allowing the VA to put VEAP benefits in a shorter period.

Mr. HARVEY. Our next witness this morning is Mr. Marvin P. Busbee, legislative director of the National Association of State Approving Agencies, Columbia, S.C.

Mr. Busbee.

TESTIMONY OF MARVIN P. BUSBEE, LEGISLATIVE DIRECTOR, NATIONAL ASSOCIATION OF STATE APPROVING AGENCIES, COLUMBIA, S.C.

Mr. BUSBEE. Mr. Harvey, we certainly appreciate the privilege of being here to testify today. And as requested, I have a summary which I hope is concise and precise. In terms of——

Mr. HARVEY. Mr. Busbee, your full statement will be placed in the record of today's hearing.

Mr. BUSBEE. In terms of Senate bill 667, our association endorses the change from VEAP to SAVE for the simple reason that actually indicates the true nature of the program.

We endorse the change in matching funds from $2 to $3 and payment of simple interest. The payment of simple interest is a way of life today.

We recommend including the apprenticeship and other on-the-job training in this chapter 32, inasmuch as all prior legislation has included these programs, so why exclude now.

Second, it provides an opportunity for training in the locality of the veteran's home. It provides an opportunity to further training received in the Armed Forces. It provides employment—very important, employment—in the field in which he is trained. Provides an opportunity for those not having aptitude, inclination or desire to attend school. And incidentally, many who can't attend school cannot attend school due to the high cost.

Also, this is an excepted way to learn certain occupations during this high technology age with the sophisticated jobs, it's about the only way that you can train using the proper equipment.

In addition to the on-the-job and the apprenticeship, we would recommend for your consideration including the farm cooperative training, as many veterans by choice and by virtue of background, would return to farming.

We would also recommend the inclusion of the cooperative training, that is, the alternate school and the alternate on-the-job. This type of training, hands-on type of training is becoming more prevalent and is certainly highly desirable today as a part of the learning process.

As far as Senate bill 9, we endorse the 15-percent increase. We all know the inflation factor affecting the cost of living for the past few years has been in the teens. And we also know that the cost of institutional training has risen dramatically over the past few years.

Senate bill 8: we endorse this educational assistance program. We do have some concern about the beginning and ending dates to be determined by the President. Possibly this should be the prerogative of the Congress now.

Our endorsement of this legislation results in our association, our members, having observed the operation of the education training program under all prior legislation we are certainly convinced beyond a shadow of a doubt that these programs have resulted in the greatest educational program that has ever been enacted by the Congress.

We endorse the repeal of the December 31, 1989, termination date for retention purposes.

In conclusion, Mr. Harvey, our association is certainly mindful of the problems which face the Congress, the committee, in rendering decisions which affect thousands of young people in their respective States and other States. We also are mindful of the problems facing the Congress and the committee in terms of the economy. And certainly, we are mindful of the problems that the committee will have in reaching the decision on legislation which requires the expenditure of funds during the budget crush.

This concludes my summary. I'd be happy to entertain any questions.

Mr. HARVEY. Mr. Busbee, thank you very much. We do have some questions which the Senator asked that we submit to you in writing.

And again, I apologize to you for his absence. It's just necessary for him to be on the floor during this very important cloture vote.

Thank you very much, sir, for joining us today.

[The prepared statement of Marvin P. Busbee, legislative director, National Association of State Approving Agencies, and NASAA's response to written questions submitted by Hon. Alan K. Simpson, chairman of the Senate Committee on Veterans' Affairs, follow:]

PREPARED STATEMENT OF MARVIN P. BUSBEE, LEGISLATIVE DIRECTOR, NATIONAL ASSOCIATION OF STATE APPROVING AGENCIES

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

OUR ASSOCIATION IS PLEASED TO HAVE THIS OPPORTUNITY TO APPEAR BEFORE YOUR COMMITTEE TO TESTIFY ON PROPOSED IMPROVEMENTS IN THE VETERANS EDUCATIONAL ASSISTANCE PROGRAM (VEAP), ON VA VOCATIONAL AND EDUCATIONAL TRAINING PROGRAMS AS THEY ARE AFFECTED BY THE TARGETED EXTENSION OF THE G.I. BILL DELIMITING DATE, AND OTHER PROVISIONS PROVIDED FOR IN S.8, S.9, AND S.667.

OUR ASSOCIATION, FORMED IN 1947, IS COMPRISED OF ADMINISTRATORS OF STATE APPROVING AGENCIES IN THE SEVERAL STATES RESPONSIBLE FOR ADMINISTERING THE EDUCATION AND TRAINING PROGRAMS FOR VETERANS AND OTHER ELIGIBLE PERSONS.

I AM AN EMPLOYEE OF THE SOUTH CAROLINA DEPARTMENT OF EDUCATION. MY POSITION IS CHIEF SUPERVISOR OF THE STATE APPROVING SECTION AND I HAVE BEEN AFFILIATED WITH THIS SECTION FOR 36 YEARS. "SINCE 1964, I HAVE BEEN PRIVILEGED TO TESTIFY BEFORE THIS COMMITTEE AND ALSO THE HOUSE COMMITTEE ON VETERANS' AFFAIRS ON MANY OCCASSIONS. MY INTEREST AND THE INTEREST OF OUR ASSOCIATION HAS BEEN, AND CONTINUES TO BE, IN CARRYING OUT THE RESPONSIBILITIES ASSIGNED US BY TITLE 38, U. S. CODE.

IN SPEAKING TO YOU TODAY, I AM MINDFUL OF THE PROBLEMS WHICH FACE YOU IN RENDERING DECISIONS AFFECTING THOUSANDS OF YOUNG PEOPLE OF YOUR HOME STATES, AND OF THE PROBLEMS FACING YOU IN TERMS OF OUR ECONOMY. I AM ALSO COGNIZANT THAT RECRUITING AND RETENTION IN OUR ARMED FORCES ARE AT AN ALL-TIME HIGH---HOWEVER, AS THE ECONOMY IMPROVES AND UNEMPLOYMENT GOES DOWN, ATTRACTING TOP QUALITY YOUNG MEN AND WOMEN INTO MILITARY SERVICE MAY NOT BE AS EASY AS IT IS NOW.

I AM ALSO MINDFUL OF THE PROBLEMS THAT YOU HAVE IN REACHING DECISIONS ON LEGISLATION WHICH REQUIRES EXPENDITURES OF FUNDS DURING THE CURRENT BUDGET CRUNCH.

S.667

OUR ASSOCIATION ENDORSES THE CHANGE FROM "POST---VIETNAM ERA VETERANS EDUCATION ACCOUNT" (VEAP) TO "SERVICE PERSONS ACCOUNT FOR VETERANS EDUCATION" (SAVE). THIS ACRONYM "SAVE" ACTUALLY INDICATES THE TRUE NATURE OF THIS LEGISLATION.

OUR ASSOCIATION ALSO ENDORSES THE CHANGE OF MATCHING FUNDS FROM THE RATE OF TWO DOLLARS FOR EACH DOLLAR CONTRIBUTED BY THE PARTICIPANT TO THE AMOUNT OF THE MATCHING FUNDS AT THE RATE OF THREE DOLLARS FOR EACH DOLLAR CONTRIBUTED. WE ALSO ENDORSE THE PROVISIONS THAT ALLOW THE VETERAN'S CONTRIBUTIONS TO DRAW SIMPLE INTEREST AS STATED IN THE LEGISLATION. THIS IS IN KEEPING WITH THE TREND OF THE

DAY INASMUCH AS FUNDS DEPOSITED, NOT ONLY IN SAVINGS ACCOUNTS, BUT CHECKING ACCOUNTS, ARE RECEIVING INTEREST.

AS YOU RECALL, THE VETERANS READJUSTMENT BENEFITS ACT OF 1966 DID NOT PROVIDE APPRENTICESHIP AND OTHER ON-THE-JOB TRAINING ASSISTANCE. THIS LAW WAS AMENDED IN 1967 TO INCLUDE THIS TYPE OF TRAINING. OUR ASSOCIATION ADOPTED A RESOLUTION IN 1966 REQUESTING THE CONGRESS TO ENACT APPROPRIATE LEGISLATION TO PROVIDE THIS TYPE OF TRAINING FOR THOSE POST KOREAN CONFLICT VETERANS. DURING A MEETING OF OUR ASSOCIATION IN WASHINGTON, D. C. ON FEBRUARY 28 - MARCH 3, 1983, OUR ASSOCIATION ENDORSED THE INCLUSION OF APPRENTICESHIP AND OTHER ON-THE-JOB TRAINING ASSISTANCE TO THE BENEFITS AVAILABLE UNDER THE CONTRIBUTORY EDUCATION PROGRAM BASED ON THE FOLLOWING:

1) APPRENTICESHIP AND OTHER ON-THE-JOB TRAINING WERE AVAILABLE FOR VETERANS OF WORLD WAR II, KOREAN CONFLICT, AND VIETNAM ERA.

2) THE AVAILABILITY OF THE APPRENTICESHIP OR ON-THE-JOB OPTION WOULD PROVIDE TRAINING OPPORTUNITIES IN THE LOCALITY OF THE VETERAN'S HOME.

3) INCLUSION OF THIS PROVISION WOULD PROVIDE VETERANS AN OPPORTUNITY TO FURTHER THE VOCATIONAL TRAINING RECEIVED WHILE SERVING IN THE ARMED FORCES OF THE UNITED STATES.

4) WOULD PROVIDE EMPLOYMENT FOR VETERANS IN POSITION FOR WHICH THEY WOULD BE TRAINED.

5) WOULD PROVIDE AN EDUCATIONAL OPPORTUNITY FOR THOSE VETERANS WHO DO NOT HAVE THE APPTITUDE, INCLINATION, OR DESIRE TO CONTINUE THEIR EDUCATION AND TRAINING THROUGH EDUCATIONAL INSTITUTIONS.

6) HIGH COST OF INSTITUTIONAL TRAINING PRECLUDES.
7) THIS IS THE ACCEPTED WAY TO LEARN CERTAIN OCCUPATIONS.
8) WITH SOPHISTICATED HIGH TECHNOLOGY JOBS, MANY SCHOOLS CANNOT AFFORD THE EQUIPMENT TO PROPERLY TRAIN.

UNQUESTIONABLY, THIS TYPE OF TRAINING IS EXPENSIVE: HOWEVER, TO OFF-SET THIS EXPENSE, WE HAVE VETERANS EMPLOYED AND PAYING TAXES FROM THE BEGINNING OF THEIR TRAINING. IN ADDITION TO THE INCREASE IN TAXES PAID DURING THE TRAINING PERIOD, THE INDIVIDUAL IS REASONABLY ASSURED FULL-TIME EMPLOYMENT AT THE CONCLUSION OF THE TRAINING PERIOD.

OUR ASSOCIATION RESPECTFULLY REQUESTS THAT SERIOUS CONSIDERATION BE GIVEN TO INCLUDE FARM COOPERATIVE AND COOPERATIVE TRAINING. MANY VETERANS, BY CHOICE, AND BY VIRTUE OF BACKGROUND, WILL RETURN TO FARMING AND THEY SHOULD NOT BE PRECLUDED IN RECEIVING EDUCATIONAL BENEFITS FOR THIS TYPE OF TRAINING.

IN THIS HIGH TECHNOLOGY AGE, COOPERATIVE TRAINING, WHEREBY A PERSON ALTERNATES BETWEEN INSTITUTIONAL TRAINING AND ON-THE-JOB TRAINING, IS BECOMING MORE AND MORE PREVALENT AS THE HANDS-ON PORTION (ON-JOB PORTION) HAS PROVEN AS GIVING AN INDIVIDUAL A WELL ROUNDED EDUCATION.

S.9

OUR ASSOCIATION ENDORSES THE PROVISIONS OF THIS BILL WHICH WOULD PROVIDE A FIFTEEN PERCENTUM INCREASE IN THE RATES OF EDUCATIONAL AND TRAINING ASSISTANCE ALLOWANCES AND ALLOWANCES FOR ADMINISTRATIVE EXPENSES BY STATE APPROVING

AGENCIES.

THE LAST INCREASE FOR EITHER WAS IN PUBLIC LAW 96-466 AND WAS EFFECTIVE JANUARY 1, 1981. AS ALL OF US KNOW, THE INFLATION FACTOR EFFECTING THE COST OF LIVING WAS IN THE TEENS FOR A NUMBER OF YEARS, AND, IN ADDITION, THE COST OF INSTITUTIONAL TRAINING HAS RISEN DRAMATICALLY OVER THE PAST FEW YEARS.

S.8

OUR ASSOCIATION, HAVING OBSERVED THE OPERATION OF THE EDUCATIONAL AND TRAINING PROGRAMS UNDER ALL PREVIOUS LEGISLATION, IS CONVINCED BEYOND DOUBT THAT THESE PROGRAMS ARE A RESULT OF THE GREATEST EDUCATIONAL LEGISLATION THAT HAS EVER BEEN ENACTED BY THE UNITED STATES CONGRESS. THESE VETERANS AND OTHER ELIGIBLE PERSONS' EDUCATIONAL BENEFITS, AND THE MANNER IN WHICH THE VETERANS AVAIL THEMSELVES OF THESE PRIVILEGES TO FURTHER THEIR EDUCATION AND TRAINING, PROBABLY RESULTED IN THE GREATEST ADVANCES IN EDUCATION AND TRAINING WHICH THE STATES AND NATION HAVE EVER EXPERIENCED WITHIN ONE GENERATION, AS WELL AS BENEFITING FUTURE GENERATIONS.

MANY OF THE VETERANS WOULD HAVE BEEN UNABLE TO SECURE AN EDUCATION WITHOUT THIS PROGRAM. THESE PEOPLE APPRECIATE THE VALUE OF WHAT THEY HAVE RECEIVED AND WILL INSIST ON THEIR CHILDREN PUTTING FORTH THE EFFORT NEEDED TO BECOME EDUCATED. IN THE EARLY PART OF THIS CENTURY, DISCUSSION AS TO WHETHER OR NOT A GIRL SHOULD BE GIVEN THE ADVANTAGES OF AN EDUCATION

WAS FREQUENTLY JUSTIFIED WITH THE STATEMENT, "EDUCATE A GIRL, AND YOU EDUCATE A FAMILY." WE COULD WELL SAY, "EDUCATE THE PARENTS, AND YOU EDUCATE A GENERATION."

DURING THIS IMPORTANT ERA, WHICH IS AN EDUCATIONAL ERA, AND, AS THIS COMMITTEE CONSIDERS THE ADVISABILITY OF LEGISLATION, I HOPE THE NEED FOR A WELL-BALANCED AMERICAN WILL NOT BE OVERLOOKED. THE SECURITY OF OUR CHERISHED FREEDOMS, OUR ECONOMIC GROWTH AND PRODUCTIVITY, OUR SOCIAL WELL BEING, AND OUR MORAL STANDARDS DEPEND NOT ONLY UPON THE SELECT FEW, BUT UPON EVERY CITIZEN IN BETWEEN. PROVISIONS FOR EDUCATION ARE IMPORTANT AND NECESSARY. THE AVERAGE MR. AND MRS. AMERICA HAS MADE, AND WILL CONTINUE TO MAKE UP THE SOLID FOUNDATION. THEREFORE, IT IS PARAMOUNT THAT PROVISIONS FOR EDUCATION AND TRAINING INCLUDE OPPORTUNITIES FOR ACQUIRING SKILLS AND ABILITIES TO FIT THE NEEDS OF ALL THE PEOPLE. PRIOR HEARINGS HAVE ESTABLISHED, BEYOND ANY DOUBT, THAT THE EDUCATIONAL ADVANTAGES PROVIDED FOR VETERANS HAVE BEEN SUCCESSFUL. THEY HAVE SUCCEEDED EVEN BEYOND THE EXPECTATIONS OF THE WISE AND FORESIGHTED LEGISLATORS WHO COULD SEE THEM.

THERE SHOULD BE LITTLE NEED FOR ME TO BRING TO YOUR ATTENTION THE FACT THAT MONEY EXPENDED ON HUMAN BEINGS, IN AN EDUCATIONAL WAY, IS TRULY AN INVESTMENT AND NOT JUST ANOTHER EXPENSE. WE CAN JUDGE WHAT IS TO COME BY WHAT WE HAVE ALREADY ACCOMPLISHED. MAY I RAISE THIS POINT FOR YOUR CONSIDERATION---AS YOU DISCUSS THE WISDOM OF EXTENDING EDUCATIONAL OPPORTUNITIES FOR VETERANS, ARE YOU ABLE TO PINPOINT

ANOTHER EXPENDITURE BY THE FEDERAL GOVERNMENT WHICH HAS RESULTED IN SUCH A SOLID FINANCIAL PIECE OF BUSINESS?

IT IS MY UNDERSTANDING THAT THIS BILL IS A "STANDBY G.I. BILL"--ONE THAT WOULD BE AUTHORIZED BY THE CONGRESS, BUT NOT PUT INTO OPERATION UNTIL THE PRESIDENT DECIDED THAT SUCH A PLAN WAS NECESSARY BECAUSE OF RECRUITING AND RETENTION PROBLEMS. IT IS ALSO MY UNDERSTANDING THAT THE PRESIDENT COULD END THE PROGRAM IF HE DECIDED IT WAS NO LONGER NEEDED.

OUR ASSOCIATION IS OF THE OPINION THAT THE BEGINNING AND ENDING DATES SHOULD REMAIN THE PREROGATIVE OF CONGRESS AND WE DO NOT ENDORSE THIS SECTION OF THE BILL.

REPEAL THE DECEMBER 31, 1989 TERMINATION DATE

OUR ASSOCIATION ENDORSES THE SECTION OF S.8 AND S.667 WHICH WOULD REPEAL THE DECEMBER 31, 1989 TERMINATION DATE FOR THE VIETNAM ERA G.I. BILL. THIS ENDORSEMENT IS BASED ON TWO FACTS. FIRST, ONE OF THE FACTS IS LISTED IN THE ENDORSEMENT OR SENATE BILL 8. SECONDLY, MEMBERS CURRENTLY IN SERVICE WHO ARE ELIGIBLE TO USE VIETNAM ERA G.I. BILL BENEFITS MUST "USE THEM OR LOSE THEM" BEFORE DECEMBER 31, 1989. THE REPEAL OF THIS SECTION WOULD ELIMINATE THE NECESSITY OF THOSE IN THE MILITARY HAVING TO LEAVE SERVICE IN ORDER TO USE THEIR BENEFITS AND POSSIBLY COULD ELIMINATE A WHOLESALE EXIT FROM THE ARMED FORCES IN THE NEAR FUTURE.

MR. CHAIRMAN, THIS CONCLUDES MY PRESENTATION. I WILL BE PLEASED TO RESPOND TO ANY QUESTIONS.

RESPONSE OF MARVIN P. BUSBEE, LEGISLATIVE DIRECTOR, NATIONAL ASSOCIATION OF STATE APPROVING AGENCIES TO WRITTEN QUESTIONS SUBMITTED BY HON. ALAN K. SIMPSON, CHAIRMAN OF THE SENATE COMMITTEE ON VETERANS' AFFAIRS

Question 1. I appreciate your input on these issues. I note with interest that your Association has endorsed the inclusion of apprenticeship and on-the-job training as reimbursable benefits to VEAP participants. Do you believe that the current benefit level is sufficient to provide significant assistance in these types of training programs?

Answer 1. The proposed change in the match in ratio from 2 to 1 to 3 to 1 would give a total allowable benefit of approximately $8,100 over a maximum 36-month period which would average $225 per month.

Consideration of the maximum 24 months program under on-the-job training, and assuming a maximum contribution of $8,100, the average monthly benefit would approximate $337. It appears to me that this benefit level is sufficient to provide significant assistance in on-the-job and apprenticeship training program.

Question 2. From the perspective of the National Association of State Approving Agencies, do you prefer a contributory over non-contributory program, or are you essentially interested in seeing that some form of educational benefit is offered to veterans and service personnel?

Answer 2. The World War II, Korean, and Vietnam Era GI Bills have definitely set a pattern for awarding educational and training benefits for personnel who served in the military forces. Apparently, the majority of personnel who entered the military on or after January 1, 1977, either were not financially able to enter the contributory program or believed it to be unfair to ask them to contribute when their brothers or fathers, whatever the case might be, did not contribute to the program which was available to them.

At the possible risk of appearing self-serving, our association is of the opinion that essentially the same form of educational benefits offered to veterans in the aforementioned educational legislation and the same educational benefits offered to service personnel should be offered to the current service personnel.

The contributory program is a good concept; however, it has not produced the results which were anticipated.

Mr. **Harvey**. The next witnesses this morning will be representing various veterans' organizations. They include Mr. James N. Magill, special assistant, National Legislative Service, Veterans of Foreign Wars; Steven L. Edmiston, associate deputy national legislative director, Disabled American Veterans; Max J. Beilke, legislative counsel, National Association for Uniformed Services; and Richard Johnson, national legislative director, Non Commissioned Officers Association.

Gentlemen, welcome. Again, I apologize to all of you for the Chairman's absence. And unfortunately, there just is no way around record votes on the floor.

If we could hear your testimony please in the sequence that you presented it. Summarize that for us.

TESTIMONY OF A PANEL OF REPRESENTATIVES OF VETERANS' ORGANIZATIONS CONSISTING OF JAMES N. MAGILL, SPECIAL ASSISTANT, NATIONAL LEGISLATIVE SERVICE, VETERANS OF FOREIGN WARS OF THE UNITED STATES; STEPHEN L. EDMISTON, ASSOCIATE DEPUTY NATIONAL LEGISLATIVE DIRECTOR, DISABLED AMERICAN VETERANS; MAX J. BEILKE, LEGISLATIVE COUNSEL, NATIONAL ASSOCIATION FOR UNIFORMED SERVICES; AND RICHARD W. JOHNSON, NATIONAL LEGISLATIVE DIRECTOR, NON COMMISSIONED OFFICERS ASSOCIATION

Mr. **Magill**. Thank you for the opportunity to present the views of the Veterans of Foreign Wars with respect to the various legislative proposals before us this morning.

The first bill, S. 8, introduced by the ranking minority member, would provide for a new peacetime GI bill, the VFW supports the concept of a peacetime GI bill and has testified so previously.

We were happy to see many of our recommendations incorporated in this new proposal. With respect to repealing the termination date for the current GI bill, we support this action, but would suggest the delimiting date also be repealed.

The next bill, S. 9, would provide for a 15-percent rate increase in the GI bill and the VA rehabilitation program for service-connected veterans. We view this increase as long overdue and support its enactment.

S. 667 would enhance the benefits available under the current contributory education program. w h the rising cost of attending school we do not oppose the bill since the increase in the DOD matching contribution and the paying of interest on the members' contribution will serve to make the program more attractive.

Finally, we were gratified to see the delimiting date for the VA vocational and educational training programs extended. We would, however, also like to see these dates repealed.

With respect to apprenticeship training and OJT, we believe it is imperative that more attention be given to encourage employers to partake in this program. Without their participation any assistance given to the veteran would be futile.

This concludes my statement. I will be happy to answer any questions you may have.

Mr. **Harvey**. Thank you very much.

[The prepared statement of James N. Magill, special assistant, National Legislative Service, Veterans of Foreign Wars of the United States, and VFW's response to written questions submitted by Hon. Alan K. Simpson, chairman of the Senate Committee on Veterans' Affairs, follow:]

VETERANS OF FOREIGN WARS OF THE UNITED STATES

OFFICE OF THE DIRECTOR

PREPARED STATEMENT OF JAMES N. MAGILL, SPECIAL ASSISTANT, NATIONAL LEGISLATIVE SERVICE, VETERANS OF FOREIGN WARS OF THE UNITED STATES

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

Thank you for the opportunity to present the views of the Veterans of Foreign Wars of the United States with respect to various legislative proposals to improve the Veterans' Educational Assistance Program (VEAP) and create a new GI Bill to enhance recruitment and retention in the all volunteer force.

Mr. Chairman, the VFW recognizes the undeniable need of the Armed Forces to attract and retain the necessary number of qualified, high caliber personnel. The last time the VFW testified on the issue of a new GI Bill, the uniformed services were having a difficult time meeting recruitment goals and, at the same time, retention statistics were not favorable. At the present time, it is our understanding, this situation has improved with recruitment and retention at or exceeding quota levels. However, we attribute this reversal to the state of the nation's economy and in particular the recent high levels of unemployment. With indications of an economic recovery on the horizon and the prospect of the unemployment rate decreasing, we believe the Armed Forces may again experience difficulty in the future in meeting recruitment and retention quotas and not be able to attract qualified personnel. While we believe the offering of generous educational benefit incentives for recruitment purposes may be considered a viable means to increase enlistment and retention quotas in the Armed Forces, the VFW has historically supported the awarding of veterans' benefits predicated upon honorable service in the Armed Forces of the United States during periods of war or hostility and this initiative should not be viewed as a veterans benefit as have been previous educational benefits based on wartime service.

The VFW is supportive of the concept of instituting an educational benefits program for the purpose of recruitment and retention of personnel for our Armed Forces. One of the bills before us today S 8, introduced by the ranking minority member, the Honorable Alan Cranston, addresses this issue and incorporates several provisions as called for by the VFW in past testimony. They are:

1. that the benefits ascribed to the plan be fully funded through the Department of Defense, including Administrative costs,
2. those currently enrolled in the V.E.A.P. program and those service members who have eligibility under the

Vietnam Era GI Bill be accorded the opportunity to participate in the new program;

3. the thrust of such legislation be aimed primarily toward the use of the benefits by the veteran himself, and;
4. the Reserves be afforded the opportunity to become eligible for benefits under such a program.

The VFW has no objection to the "triggering" mechanism designed to implement the program. Even though much care will have been exercised in keeping accurate eligibility records, we do not believe this to be an insurmountable problem. We believe though, should an individual enlist during a period when the program is not in effect, that he be allowed the option to re-enlist when the "triggering" mechanism has been activated so as to be able to receive such benefits.

The VFW, while sympathetic to the problems encountered by service personnel facing the 1989 expiration for the current GI Bill, believes that if the termination date be repealed the delimiting date should also be repealed. Again, just repealing the termination date only serves as a retention tool for the Department of Defense. Veterans who served honorably in wartime and still have eligibility should have the opportunity to advance their education, or in some cases, retrain in fields more in demand. Appended to my statement for your review are copies of our current resolutions passed by the voting delegates to our most recent National Convention entitled, "GI Bill Delimiting Date," and "Oppose Funding of Peacetime GI Bill through VA Appropriations."

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S 9, also introduced by the ranking minority member along with the Honorable Spark Matsunaga and the Honorable Dennis DeConcini, would provide for a 15 percent increase in the rates of educational and training assistance under the GI Bill and in the rates of subsistence allowances under the Veterans Administration Rehabilitation Program for service-connected disabled veterans.

Inasmuch as GI Bill benefits are not increased automatically each year, those veterans taking advantage of this benefit have witnessed the substantial decline in the purchasing power of their GI Bill dollars. The last increase granted was a two-step 10 percent increase which allowed for a 5 percent increase to take effect on October 1, 1980 and the second 5 percent on January 1, 1981. Information available to us indicates a projected increase in the Consumer Price Index of about 22 percent since October 1980 and what will be the effective date of S 9. The VFW supports the 15 percent increase in GI Bill benefits and Rehabilitation Subsistence Allowance.

Mr. Chairman, S 667, introduced by you, would enhance the benefits available under the current contributory education program administered by the VA and would also repeal the December 31, 1989 termination date for the Vietnam-era GI Bill.

While it is true VEAP did not enjoy the popularity that was expected, the fact cannot be denied the ultra-VEAP offers a serviceperson a very attractive educational savings plan. At present, it is our understanding, the Army is the only service offering this option, and, is finding it highly successful in attracting enlistees to the combat arms.

S 667 would increase the matching DOD contribution from $2 to $3 for every $1 the serviceperson contributes for future education expenses. With escalating education costs the VFW believes this would encourage the serviceperson to take advantage of this program inasmuch as he could accumulate a more realistic amount of money to meet the high cost of education. The VFW also has no objection to the provision to pay interest on the service member's contribution. We believe this would be an additional incentive to participate in the ultra-VEAP program.

Mr. Chairman, we have no objection to the provision changing the name of the program to "Servicepersons' Account for Veterans' Education" and allowing the rate of educational benefit payout to be determined by the VA Administrator. We have previously addressed the issue of repealing the termination date on the Vietnam-era GI Bill.

Finally, Mr. Chairman, the VFW was gratified to see the VA Vocational and educational training programs delimiting dates extended. These are beneficial programs whose value has been proven and we would prefer to have the delimiting date repealed. While we, of course, want the veteran to receive as much assistance as possible in any education or jobs training program, we believe that consideration should be given to encourage more employers to participate in the program. Without their active participation, any assistance given to veterans would be futile.

Thank you Mr. Chairman, this concludes my statement. I will be happy to respond to any questions you may have.

Resolution No. 746

G.I. BILL DELIMITING DATE

WHEREAS, veterans educational assistance terminates for most veterans 10 years after their release from active duty; and

WHEREAS, many veterans, because of readjustment problems, are unable to pursue or complete their educational training within their delimiting date; and

WHEREAS, these veterans must rely on other educational assistance programs which are being targeted for elimination under proposed budget cuts; and

WHEREAS, many veterans will be unable to pursue their educational goals; now, therefore

BE IT RESOLVED, by the 83rd National Convention of the Veterans of Foreign Wars of the United States, that we support legislation to remove the delimiting date for VA educational benefits for veterans with active service after August 4, 1964.

Adopted by the 83rd National Convention of the Veterans of Foreign Wars of the United States held in Los Angeles, California, August 13-19, 1982.

Resolution No. 746

RESOLUTION No. 612

OPPOSE FUNDING OF PEACETIME "GI BILL" THROUGH VA APPROPRIATION

WHEREAS, legislation has been introduced and, if passed by Congress, could establish a peacetime "GI BILL" Educational Program, and

WHEREAS, if such legislation were enacted in its present form, the program would be funded under VA appropriation; and

WHEREAS, this is not considered a readjustment program for wartime veterans but solely a recruitment and retention incentive, it should be funded in whole by the Department of Defense and not through VA appropriation because this would without question drain off funds needed for programs aimed at service-connected disabled veterans; now, therefore

BE IT RESOLVED, by the 83rd National Convention of the Veterans of Foreign Wars of the United States, that we do not oppose this legislation for the purpose intended, but we do oppose the funding of this program under the VA appropriation, especially while Congress is considering cost-savings in veterans programs for the fiscal year 1983 in addition to cuts during the fiscal year 1982.

Adopted by the 83rd National Convention of the Veterans of Foreign Wars of the United States held in Los Angeles, California, August 13-19, 1982.

Resolution No. 612

RESPONSE OF JAMES N. MAGILL, SPECIAL ASSISTANT, NATIONAL LEGISLATIVE SERVICE, VETERANS OF FOREIGN WARS OF THIS UNITED STATES TO WRITTEN QUESTIONS SUBMITTED BY HON. ALAN K. SIMPSON, CHAIRMAN OF THE SENATE COMMITTEE ON VETERANS' AFFAIRS

Question 1. At this Committee's markup of the VA budget for Fiscal Year 1984 several weeks ago, we agreed to include in our recommendations to the Budget Committee $150 million to allow us to consider two alternatives for its use -- the provision of a rate adjustment in Vietnam-era GI Bill educational benefits, and/or some kind of job or job training initiative.

In light of my commitment to support a rate increase in GI Bill benefits for Fiscal Year 1985, and in light of the high cost of providing meaningful assistance in the area of job training, what are your organizations' views with regard to how this $150 million is expended?

Answer 1. The VFW is of the opinion that Vietnam-era veterans have suffered a disproportionate share of reductions in federal spending and, once again, they are being asked to take a back seat when it comes to benefits. Vietnam veterans should not have to choose between a long over-due rate increase in GI Bill benefits or a jobs training program. Both are needed now and should be funded. The $4.6 billion jobs bill cleared for the President's signature does not include any set aside for the reported 883,000 unemployed veterans. In addition, if the House passed First Concurrent Budget Resolution, H. Con. Res. 91, increasing domestic spending by nearly $33 billion, is accepted in whole or in part by the Conferees, there would be no tenable justification for deferring until the Fiscal Year 1985 a cost-of-living increase for GI Bill beneficiaries.

Question 2. If Congress enacted a non-contributory, GI Bill education program to be provided to members of the peacetime, all-volunteer force -- and you all, to some extent, seem to support this -- in the event of wartime or conscription, would the veterans' organizations be satisfied to retain this same non-contributory program for wartime veterans or would they encourage Congress to "up the ante" for those who serve under those conditions?

Answer 2. The VFW supports the concept of a peacetime GI Bill with certain restrictions, as was pointed our in our statement. We consider a peacetime GI Bill as a Department of Defense recruitment and retention tool and not a veteran benefit per se. The VFW has historically supported the awarding of veterans' benefits predicated upon honorable service during periods of war or hostility. We believe a veteran who was conscripted into the defense of our nation during periods of hostility should be awarded benefits over and above those awarded individuals who voluntarily enlist during peacetime.

Question 3. The VA's testimony concerning their recent experience with applications under the targeted GI Bill delimiting date extension indicates a 17.4 percent cumulative approval rate through the end of last year. However, their approval rate appears to have increased substantially based on early 1983 figures, presumably as a result of clarifications made in this extension in Public Law 97-306.

Does the response which you have gotten from your membership reflect this improved approval rate?

Answer 3. We, as an organization, have not received any substantial feedback on this issue. Perhaps at a later date information will be available to us and, if so, we will be happy to share it with you.

Question 4. Do you support the addition of apprenticeship and on-the-job training as reimbursable programs under VEAP, in the manner recommended by the VA? That is, limiting eligibility to those individuals who have been discharged or released from the service?

Answer 4. Regarding the eligibility question, as put forth by the VA, we have no objection inasmuch as we cannot see how an individual who is a member of the Armed Forces could avail himself of these opportunities considering his full-time military commitment. With respect to transfering apprenticeship program to VEAP we would reserve judgement until the benefits and implementation thereof could be made available to us.

In addition, you requested our views on S. 691, the "Veterans Education Assistance Act of 1983", introduced by the Honorable William L. Armstrong along with several co-sponsors.

As stated in our testimony, the Veterans of Foreign Wars is fully supportive of a peacetime GI Bill to enhance the recruitment and retention of high caliber personnel for the Armed Forces. However, as you know, we do object to the transfer of educational benefits to the service member's spouse or children. By so doing, we would grant peacetime, career Armed Forces personnel serving of their own volition, a benefit heretofore not granted concripted wartime veterans. In addition, by so educating the children of active duty personnel, there would be less incentive for those same dependents to later enter the Armed Forces, thus reducing the pool of those willing to serve.

Mr. **Harvey**. Mr. Edmiston.

Mr. **Edmiston**. Thank you. It's a pleasure to be here this morning on behalf of Disabled American Veterans and to express our views on the various bills relating to veterans' education programs presently pending before the committee.

S. 8 proposes to establish a new program of educational benefits for peacetime veterans, while S. 667 would amend the veterans' educational assistance program. And both bills would repeal the December 31, 1989, termination date for the Vietnam-era GI bill.

S. 9 proposes to increase the education subsistence rates currently payable under chapters 34 and 35 of title 38.

These legislative proposals, with the exception of S. 9, would provide DOD with recruitment and retention tools to enhance military service. In this case the DAV has no objection to such congressional efforts.

We are, however, pleased to note that these proposals finally recognize the need for the Department of Defense, rather than the Veterans' Administration, to pick up the tab for such proposals.

With respect to the provisions of S. 9, the DAV has no official mandate. However, the DAV recognizes the economic crisis which exists in our Government today, resulting in limited dollars available for all Federal programs. While we favor upward adjustment in the benefits provided under chapters 31 and 35 we believe any such increase provided in fiscal year 1984 should be delayed 6 months as provided in all other Federal entitlement programs.

That concludes my remarks. And again, we thank the committee for the opportunity of appearing here this morning.

Mr. **Harvey**. Thank you very much.

[The prepared statement of Stephen L. Edmiston, associate deputy national legislative director, Disabled American Veterans, and DAV's response to written questions submitted by Hon. Alan K. Simpson, chairman of the Senate Committee on Veterans' Affairs, follow:]

PREPARED STATEMENT OF STEPHEN L. EDMISTON, ASSOCIATE DEPUTY NATIONAL LEGISLATIVE DIRECTOR, DISABLED AMERICAN VETERANS

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

On behalf of the more than 750,000 members of the Disabled American Veterans, I wish to thank you and the members of the Committee for providing us this opportunity to express our views on the various bills relating to veterans' education programs presently pending before the Committee.

One bill proposes to establish a new program of educational benefits for peacetime veterans, while another would amend the Veterans' Educational Assistance Program (VEAP), and both propose to repeal the December 31, 1989 termination date for the Vietnam Era GI Bill. Still another measure proposes to increase the educational subsistence rates currently payable under Chapters 31, 34 and 35 of Title 38, U.S. Code.

Additionally, your letter of invitation expressed the Committee's desire to obtain our views on the targeted extension of the GI Bill delimiting date provided for in Public Laws 97-72 and 97-306, and "the effects of including on-job and apprenticeship training as reimbursable programs under the Veterans' Educational Assistance Program."

As you know, Mr. Chairman, the DAV membership is composed of honorably discharged veterans who were wounded, injured or otherwise disabled in the wartime service of their country. It therefore follows that our organization is primarily concerned with veterans' educational benefits provided by the Vocational Rehabilitation Program under Chapter 31 and the Survivors' and Dependents' Educational Assistance Program provided under Chapter 35 of Title 38, U.S. Code.

Even though our organization was founded on the principle that, in terms of veterans' benefits and services, this nation's first obligation rests with the rehabilitation of its service-connected wartime disabled, the DAV is also concerned with those federal programs which have been designed to enhance the educational opportunities of veterans in general.

Additionally, because of the nature of the legislative proposals pending before the Committee today, I do wish to stress that the DAV endorses and supports a strong national defense to ensure that the United States Armed Forces are second to none.

S. 667

Introduced on March 3, 1983 by you, Mr. Chairman, S. 667 proposes to amend Chapter 32 of Title 38, U.S. Code to enhance the benefits available under the Veterans' Educational Assistance Program (VEAP) and eliminate the termination date for GI Bill educational benefits provided under Chapter 34, Title 38, USC.

By appropriate amendment to Chapter 32, Title 38, USC, S. 667 would, if enacted:

1. Increase the VA matching contribution from $2 to $3;
2. Provide for the payment of interest on participant contributions to the VEAP fund;
3. Change the multiplication factor used in computing the monthly payment to program participants from 3 to 4; and
4. Authorize the VA to provide a larger monthly benefit over a shorter period of time when the cost of tuition and fees and the duration of the education course would prove to be in the best interest of the participant and the government.

Section 4 of the bill would, if enacted, repeal the December 31, 1989 termination date for the Vietnam Era GI Bill and concurrently require the Secretary of Defense to reimburse the Veterans Administration for all educational and training allowances paid under Chapters 34 and 36 of Title 38, U.S. Code after December 31, 1989.

If enacted, the provisions of S. 667 would become effective on October 1, 1983.

S. 8

This proposal, introduced by Senator Cranston on January 26, 1983, seeks to amend Title 38, U.S. Code by adding a new Chapter 30 -- All-Volunteer Force Educational Assistance.

As set forth in the bill, "the purposes of this Chapter are (1) to promote and assist the all-volunteer force program of the United States by providing for the establishment for men and women entering active duty of an improved program of educational assistance designed to help in the recruitment and retention of well-qualified men and women, and (2) to provide those men and women with assistance in obtaining an education that they might not otherwise be able to afford."

As proposed, S. 8 would establish two levels of educational assistance to which eligible veterans and service personnel may become entitled. The first level of benefits -- basic educational assistance -- would provide a maximum of $9,000 in educational assistance to an individual who; (a) after a date determined by the President, serves three or more years active service, or (b) serves two or more years active service and agrees to four or more years service in the Ready Reserve, or (c) has served three or more years and remains on active duty.

The second level of benefits -- supplemental educational assistance -- can provide up to a maximum of $13,500 in educational benefits to an individual who has a high school diploma or its equivalent and who; (a) has six or more years active service after a date determined by the President, or (b) served six or more years and remains on active duty, or (c) has served four or more years on active duty and agrees to serve in the Ready Reserve for four or more years.

Additionally, this legislation gives the Secretary of Defense the authority, if deemed necessary, to increase the amount of basic and/or supplemental educational assistance payable on account of active duty service performed by certain specific categories of military personnel.

Appropriations to cover all expenses incurred by the Veterans Administration to pay the basic and supplemental educational assistance to an eligible veteran or serviceperson under this proposal would be borne by the Department of Defense.

Any individual gaining entitlement to basic educational assistance proposed by this bill would no longer be eligible for educational assistance under Chapters 34, 35 and 36 of Title 38, U.S. Code and, if enrolled in the Veterans' Educational Assistance Program (VEAP) they would be disenrolled and receive a full refund of their contributions to that program.

Section 7 of the bill would, if enacted, repeal the December 31, 1989 termination date for the Vietnam Era GI Bill and concurrently require the Secretary of Defense to reimburse the Veterans Administration for all educational and training allowances paid under Chapters 34 and 36 of Title 38, U.S. Code after December 31, 1989.

If S. 8 were enacted into law, the final determination to implement the new program would rest with the President, based upon recommendations of the Secretary of Defense regarding the specific factors set forth in Section 8 of the bill.

The bill, in addition to extending to the President the authority to implement the program, also permits the Executive to terminate the program unless Congress adopts a resolution disapproving such a determination.

However, should S. 8 be enacted and the President fails to implement its provisions on or before December 1, 1987, Congress would then be required to review the need for new authority and to approve the continuation of such an educational assistance program.

S. 9

S. 9, introduced by Senator Cranston on January 26, 1983, seeks, through appropriate amendment to Title 38, U.S. Code to increase by 15% the rates of educational and training assistance allowances under Chapters 34 and 35 and the rates of subsistence allowances for service-connected disabled veterans under Chapter 31 effective October 1, 1983.

Mr. Chairman, the DAV has no official mandate with respect to the provisions of S. 9. However, the DAV recognizes the economic crisis which exists in our government today, resulting in limited dollars available for all federal programs. While we favor an upward adjustment in the benefits provided under Chapters 31 and 35, we believe that any such increase provided in Fiscal Year 1984 should be delayed by six months as provided in all other federal entitlement programs.

* * *

With the exception of S. 9, Mr. Chairman, the DAV does not view the pending bills in the context of veterans' legislative proposals that are traditionally the purview of this Committee. That is, these measures do not represent proposals for new or improved programs of educational readjustment benefits designed to meet the needs of veterans who have set aside or temporarily postponed higher educational pursuits because of voluntary active duty wartime service or conscription into the Armed Services.

Without a doubt, the fundamental purpose of these proposals is not to assist veterans in their efforts to continue their pursuit of higher education which was inadvertently interrupted by service during World War II, Korea and Vietnam.

In our view, Mr. Chairman, the pending legislation is designed and intended as recruitment and retention incentives for the all-volunteer military force.

We are pleased to note that the provisions of S. 8 do not alter a servicemember's eligibility to the VA's Chapter 31 rehabilitation program by reason of a service-connected disability, even though entitlement may be established for benefits provided under the proposed Educational Assistance Program.

We also note, Mr. Chairman, that Section 4 of S. 667 and Section 7 of S. 8 (repealing the December 31, 1989 termination date for the Vietnam Era GI Bill) would be a liberalization of current law that would not only benefit the individuals concerned, but would also assist the military services. The DAV views this proposal as a very positive incentive for active duty personnel to pursue the military as a career with no fear of losing these benefits.

As you well know, numerous military witnesses have testified before this Committee and your counterpart in the other body about the urgent need for such a liberalization due to the large numbers of personnel who have decided to leave the military service rather than lose their education benefits. Should the Committee decide to move on legislation establishing an education program designed to improve recruitment and retention in the Armed Services, we would favor the inclusion of the provisions contained in either Section 4 of S. 667 or Section 7 of S. 8.

Clearly, the various proposals before the Committee today would provide the Department of Defense with a recruitment and retention device. In this case, the DAV has no objection with such Congressional efforts to make service in the military forces more attractive. We are, however, pleased to note that these proposals finally recognize the need for the Department of Defense, rather than the Veterans Administration, to "pick up the tab" for such proposals.

OVERSIGHT OF TARGETED EXTENSION OF GI BILL DELIMITING DATE AND CONSIDERATION OF EFFECTS OF EXTENDING OJT AND APPRENTICESHIP TRAINING UNDER VEAP

The Veterans' Health Care and Small Business Loan Act of 1981 (P.L. 97-72) provided a two year targeted extension of the delimiting period for certain Vietnam Era veterans to utilize on-job or vocational training programs.

Subsequently, due to VA over-regulating and ignoring the Congressional intent of Public Law 97-72, this Committee and your counterpart in the House took appropriate action to ensure that the VA complied with the intent of Congress and passed legislation (P.L. 97-306) extending (until 12-31-84) and clarifying Congressional intent with respect to job training benefits for Vietnam Era veterans.

Just recently, on January 14, 1983, the VA issued DVB Circular 20-83-1 -- Delimiting Date Extensions Under 38, U.S.C. 1662(a)(3) -- which sets forth instructions to VA field offices for the implementation of the Congressionally intended targeted extension of the GI Bill delimiting date as mandated by Public Law 97-306.

Obviously, Mr. Chairman, it is too early to assess the success of the amendments made by Public Law 97-306. However, since the Committee is giving consideration to extending reimbursement for on-job and apprenticeship training to eligible VEAP participants, we believe it is important to discuss the VA's OJT program as it will have a direct bearing on both the targeted extension of the GI Bill delimiting date and the Committee's consideration of liberalizing VEAP.

Mr. Chairman, we believe the VA's on-job training program has suffered from benign neglect. In this regard, I refer to the 1981 Annual Report of the Veterans Administration submitted to the 97th Congress. Upon reviewing the report, we note that very little information is provided regarding the on-job training and apprenticeship programs.

The report states that, "Through September 1981, the total number of veterans trained under the current GI Bill exceeded 7.8 million, of whom 73% were Vietnam Era veterans. More than half have trained at the college level (excluding correspondence). The remainder pursued vocational and technical training, correspondence training, flight training, cooperative training and on-job training." Regrettably, little is known about the success or lack of success of the VA's On-Job Training Program.

It is important to point out that the General Accounting Office submitted a report to this Committee in July of 1975 on this very subject. While the report was a relatively small one, it is significant in many areas. The following highlights portions of that report:

> ...as of November 30, 1974, about 26,500 approved employers were providing on-job training to about 58,200 veterans.
>
> Overall, about 58 percent of the approved employers did not have any veterans in training.
>
> ...as of September 1974, 65% of approved employers within the eight [study] areas were inactive.
>
> Many approved employers needed trainees. (emphasis added)
>
> Of the 271 employers interviewed, 38 said they had a veteran in the VA On-Job Training Program. The remaining 233 said their program was inactive.
>
> ...some employers -- 74 of 271, or about 27 percent -- said they never had a veteran participate in their program.
>
> Of the 38 employers who had a veteran in training, 11 (29%) said they had an immediate need for an additional trainee and would have accepted one or more qualified veterans if referred. (emphasis added)

> Of the 233 inactive employers interviewed, 54 (23%) said they did have an immediate need for trainees and would have accepted one or more qualified veterans if referred to them. (emphasis added)
>
> In summary, we contacted 271 employers who had approved On-Job Training Programs for veterans. Sixty-five, or almost one out of every four employers contacted, told us they had a need for on-job trainees and would have accepted one or more qualified veterans if one had been referred. (emphasis added)
>
> A large number of employers have expressed their interest in providing employment assistance for veterans by establishing On-Job Training Programs; and many veterans have been placed in these programs. However, it appears that many more qualified veterans could have been placed in approved programs. (emphasis added)
>
> We recommend that the Administrator of Veterans Affairs require that each VA Regional Office periodically notify the appropriate Veterans' Employment Service Representative of all employers in the area who currently have approved On-Job Training Programs for veterans. (emphasis added)
>
> We recommend that the Secretary of Labor require the Veterans' Employment Service to contact and periodically recontact approved employers to determine their need for on-job trainees and that all possible efforts be made to place veterans in these programs. (emphasis added)

Mr. Chairman, while this GAO report and its recommendations are almost eight years old, very little has been done to address these problems or to provide veteran referrals to the approved employers.

As indicated earlier, it is our view that the VA has not given proper emphasis to this program. Further substantiating our concern is the statistical summary of VA activities published monthly by the Office of Public and Consumer Affairs of the VA.

The VA's monthly report indicates the number of veterans taking advantage of "educational assistance" but does not account for the type of training, i.e., college, correspondence, technical, on-job training or apprenticeship -- in direct conflict with the recommendations contained in the 1975 GAO report.

Mr. Chairman, we believe that if the targeted extension of the GI Bill delimiting date and any liberalization of VEAP is going to realize any measure of success, then efforts to enhance on-job training and apprenticeship programs must be undertaken. We strongly suggest that the recommendations contained in the 1975 GAO report together with the following efforts be implemented immediately:

1. Require the VA to identify all employers who have had an approved OJT or apprenticeship program since 1967.
2. Identify those employers who are still in an approved status.
3. Contact those employers whose approval has expired and urge renewal of an approved program.
4. Survey these employers to determine their needs and enhance their desire to participate.
5. Provide all VA field offices (Regional Offices, hospitals, vocational rehabilitation offices, and career development centers) with the above mentioned survey findings on a geographical basis.
6. Concurrently have the Assistant Secretary of Labor for Veterans' Employment provide the same information to the field staff.

7. Require the VA to provide an updated list of disabled and Vietnam Era veterans to Disabled Veterans Outreach Program (DVOP) officials and Local Veterans' Employment Representatives (LVER) personnel.

8. DVOP and LVER personnel should then be required to contact these veterans in an attempt to match up potential OJT employers with disabled and Vietnam Era veterans.

As the Committee deliberates on the future and scope of the VA On-Job Training and Apprenticeship Programs, we respectfully request that you keep our concerns in mind.

This concludes my testimony, Mr. Chairman, I again wish to thank you and the members of the Committee for providing us the opportunity to present our views on these important subjects.

* * *

RESPONSE OF STEPHEN L. EDMISTON, ASSOCIATE DEPUTY NATIONAL LEGISLATIVE DIRECTOR, DISABLED AMERICAN VETERAN TO WRITTEN QUESTIONS SUBMITTED BY HON. ALAN K. SIMPSON, CHAIRMAN OF THE SENATE COMMITTEE ON VETERANS' AFFAIRS

Question 1. At this Committee's markup of the VA budget for Fiscal Year 1984 several weeks ago, we agreed to include in our recommendations to the Budget Committee $150 million to allow us to consider two alternatives for its use -- the provision of a rate adjustment in Vietnam-era GI Bill educational benefits, and/or some kind of job or job training initiative.

In light of my commitment to support a rate increase in GI Bill benefits for Fiscal Year 1985, and in light of the high cost of providing meaningful assistance in the area of job training, what are your organizations' views with regard to how this $150 million is expended?

Answer 1. The DAV commends the Committee with respect to the $150 million they recently recommended to the Senate Budget Committee for either a rate adjustment in the Vietnam Era GI Bill education benefits and/or some kind of job or job training initiative.

Mr. Chairman, the DAV supports an employment initiative as the most appropriate means to best utilize the $150 million recommended by the Committee. We believe that such initiative should place special emphasis on the employment and job training needs of service-connected disabled veterans.

Question 2. If Congress enacted a non-contributory, GI Bill education program to be provided to members of the peacetime, all-volunteer force -- and you all, to some extent, seem to support this -- in the event of wartime or conscription, would the veterans' organizations be satisfied to retain this same non-contributory program for wartime veterans or would they encourage Congress to "up the ante" for those who serve under those conditions?

Answer 2. The DAV has no objections to the Congress enacting a non-contributory peacetime GI Bill educational program to assist the military in recruiting and retaining individuals in the All Volunteer Force, so long as the Department of Defense is responsible for total funding of the program. However, in the case of an individual who set aside or temporarily postponed higher educational pursuits because of voluntary active duty wartime service or conscription into the Armed Services, we believe the Congress should provide a program of educational readjustment benefits for these veterans superior to those provided as recruitment and retention incentives for the all volunteer military force.

Question 3. The VA's testimony concerning their recent experience with applications under the targeted GI Bill delimiting date extension indicates a 17.4 percent cumulative approval rate through the end of last year. However, their approval rate appears to have increased substantially based on early 1983 figures, presumably as a result of clarifications made in this extension in Public Law 97-306.

Does the response which you have gotten from your membership reflect this improved approval rate?

Answer 3. We have not received an assessment from our membership of the experience veterans are having with the VA regarding their applications for training under the extension of the GI Bill delimiting date mandated by Public Law 97-306.

Question 4. Do you support the addition of apprenticeship and on-the-job training as reimbursable programs under VEAP, in the manner recommended by the VA? That is, limiting eligibility to those individuals who have been discharged or released from the service?

Answer 4. The DAV has no objection to liberalizing the Veterans Educational Assistance Program, as recommended by the VA, by extending reimbursement for on-job and apprenticeship training to eligible VEAP participants upon discharge or release from active military service.

S. 691

S. 691, introduced by Senator Armstrong on March 7, 1983, seeks, through appropriate amendment to Title 38, U. S. Code, to establish a new Chapter 29--Peacetime Veterans Educational Assistance Program. The purposes as set forth in the bill are:

1. To provide a new Educational Assistance Program to assist in the readjustment of members of the Armed Forces to civilian life after their separation from military service;

2. To promote and assist the total force concept of the Armed Forces by establishing a new program of educational assistance based upon service on active duty or a combination of service on active duty and in the Selected Reserve (including the National Guard) to aid in the recruitment and retention of highly qualified personnel for both the active and reserve components of the Armed Forces; and

3. To give special emphasis to providing educational assistance benefits to aid in the retention of personnel in the Armed Forces.

The new proposed Chapter 29 would provide certain eligible veterans, active duty service personnel and Selected Reservists a maximum of 36 months educational assistance at the rate of $300 a month in subsistence allowances. The bill provides the Secretary of Defense the authority to increase the basic educational assistance in the case of an individual who has a skill or specialty which is considered critical.

The proposed Chapter 29 would also establish a new Contributory-Matching Educational Fund Program for service members with more than ten years active military service.

This proposal provides for a $2 for $1 matching program that would enable a service member to contribute up to a maximum of $6,000. The service member may use these benefits (up to a maximum of 36 equal monthly payments) or transfer his/her entitlement to his/her spouse or children.

Also, S. 691 would permit the military services to offer an educational leave of absence of up to a maximum of 12 months for eligible service members. Each service member granted such educational leave would be required to extend their military service by two months for each month of educational leave used.

Appropriations for the entitlements created by S. 691 would be the responsibility of the Department of Defense, while the VA would administer the program.

To reiterate, Mr. Chairman, the DAV has no objection with Congressional efforts to make service in the military forces more attractive. We are, however, pleased to note that S. 691 finally recognizes the need for the Department of Defense, rather than the Veterans Administration, to pay for an educational program which is designed to enhance recruitment and retention in the Armed Services.

I trust our views on these important matters will be helpful to you and the Committee during its deliberations.

Mr. Harvey. Mr. Beilke, please.

Mr. Beilke. Thank you and good morning.

As always, it's an honor and a pleasure to be here. And I would like to recognize and commend Senator Simpson for his leadership in this matter and in scheduling early hearings on the GI bill. Hopefully, these early hearings will result in a new GI bill.

You've heard from various sources pleading the need for a new GI bill. By sheer numbers you must give some weight to the credibility of these sources, because I don't feel that all of us can be wrong.

In the Washington Post just last Monday they carried a short article in which the Census Bureau has estimated that a college graduate now has a potential to earn $329,000 more in a lifetime if he's a college graduate rather than a high school graduate.

If you look at the fact that this individual, in putting him in a 10- 15- or 20-percent tax bracket, we're looking at a return to the Government of anywhere from $32,000 to $33,000 up to $66,000. From a pure economic standpoint it would appear that if we invest in our youth today anywhere from $7,000 to $22,000, depending upon the proposal you enact, and in return we receive not only from 2 to 7 years of military service, but more than $33,000 in tax revenue, it looks like it's a prudent investment.

When I look at other proposals to appropriate funds to fund various education programs, it appears from a taxpayer's perspective the new GI bill is a more equitable use of their taxes; it's equitable for the Government, to the military, taxpayer, the beneficiary, and our society as a whole.

That, Mr. Chairman, concludes my short statement this morning. Thank you.

Mr. Harvey. Thank you very much.

[The prepared statement of Max J. Beilke, legislative counsel, National Association for Uniformed Services, follows:]

PREPARED STATEMENT OF

Max J. Beilke

Legislative Counsel

The National Association for Uniformed Services

Before the

Committee on Veterans' Affairs

U.S. Senate

March 16, 1983

Educational Assistance for Veterans

Mr. Chairman, and members of the Committee, I welcome the opportunity to present the views of the National Association for Uniformed Services to this distinguished panel.

The National Association for Uniformed Services (NAUS) is unique in that our membership represents all ranks of career and non-career service personnel and their wives and widows. Our membership includes active, retired, and reserve personnel of all seven uniformed services: Army, Navy, Air Force, Marines, Coast Guard, Public Health Service, and the National Oceanic and Atmospheric Administration. With such membership, we are able to draw information from a broad base for our legislative activities.

The need for an educational assistance program for military personnel is real. Support for such a program has been [illegible] from a broad spectrum of august groups and individuals.

The Defense Manpower Commission (DMC) in its April, 1976 report entitled, "Defense Manpower: The Keystone of National Security," pointed out that educational opportunities for military personnel have been identified by surveys as major attractions for quality accessions. Most important are post-high school programs which include certificate level vocational and technical programs and degree programs from associate to graduate levels.

The value of educational benefits on recruiting was outlined in the results of a February 1977 survey conducted by the Military Personnel Center. "The main reason soldiers join the Army is to secure veterans' educational benefits, according to an Army survey of first-term troops."

The U.S. News & World Report of June 16, 1980 quotes then VA Administrator Max Cleland: "Unfortunately, four wars in this century have given the VA plenty to do for the rest of the century. Barring anymore wars, I still see a major increase in the need for health care for aging veterans and for burial sites for former servicemen. I also see a growing need for a peacetime GI Bill, not only to better serve our veterans but to offer more of an inducement for future volunteers for the armed forces."

In 1981, this committee, the House Armed Service Subcommittee on Military Personnel and Compensation, and the House Veterans' Affairs Subcommittee on Education, Training, and Employment listened to hours of testimony on the same subject under consideration today. Witness after witness expressed support for the establishment of a new GI Bill. Not in any fashion to discredit the validity of the witnesses before this and other committees, but, the greatest support has come from those who would be directly effected by such a program - the active duty personnel. Field hearings conducted in 1981 by the Subcommittee on Education, Training and Employment, Committee on Veterans' Affairs, U.S. House of Representatives, clearly substantiated their support. This active duty support and other aspects supporting the establishment of a new GI Bill was covered in an interview with Representatives G.V. Montgomery and Robert W. Edgar which was published in NAUS's Journal of July/August 1982. A copy of the interview is attached.

One cannot question the value of educational assistance as a recruitment tool. It is definitely a benefit. Whenever benefits of military service are discussed, educational benefits enter the conversation very quickly. If the individual is out of the service, use of the old GI Bill is high on the list of that portion of military service most beneficial. To those currently in the service and having entered prior to January 1, 1977, the question is, will the 1989 delimiting date be removed so that earned benefits can be utilized? To those talking to recruiters, the question is, what kind of educational benefits will I receive if I enlist?

An educational assistance benefit has perhaps the greatest value of all benefits a recruiter can offer a prospect. This was clearly pointed out in 1981 hearings not only by recruiters, but by High School Guidance Counselors. In testimony on October 6, 1981 before the House Armed Services Committee, Subcommittee on Compensation and Military Personnel Miss Evelyn Wilson, Director of Guidance, Arlington County Public Schools stated she had done a small survey of high school students. In response to her question, "Do you plan on military service after graduation?" 28 replied yes and 199 replied no. To those who replied no, they were then questioned, "if military service would entitle you to an educational assistance benefit, would you then consider military service?" seventy-one then replied yes. This is one of the most pertinent arguments that this Congress should enact a new educational assistance program that I have heard to date.

Additionally, I would like to point out that high school guidance counselors have as their main objective the future of their charges. They can guide them into an occupation within their capabilities or into continued education. For those individuals with college potential, but without monetary resources military service could provide the resource. A guidance counselor can become a valued extension of our recruiters. A recruiter's job would be definitely eased because any prospect sent to a recruiter by a high school guidance counselor would already be sold on enlisting. The recruiter need by close the deal.

Of the various GI Bill proposals that have been introduced, NAUS does not support one at the expense of the others. We have found certain provisions in all proposals that we can support. Likewise, we have found some provisions we cannot support. Because of our membership, NAUS can only support a bill that treats all uniformed services equally.

My testimony today will focus on provisions which NAUS believes should be included in any educational assistance program Congress enacts. Regardless of the program enacted, it is imperative that such a program be fundable over a long-term. We do not want a program that will be funded for five or six years and then dropped because of cost. The program must be equitable to government and individual alike.

NAUS believes a new GI Educational Assistance program at a minimum should contain:

1. Active Duty Requirement - Entitlement to minimum education benefits would be extended only upon completion of twenty-four months active duty. Those individuals released due to service-connected disabilities would, of course, be exempt from the twenty-four month minimum requirement. When one reviews the full value of these educational benefits, twenty-four months of service to one's country is not too much. Additionally, with a possible return to the draft, twenty-four months will more than likely be the period of service required of draftees. If this nation does return to conscripted service, then the nation will be obligated to extend educational benefits to these draftees.

2. Maximum Entitlement - Thirty-six months of educational benefits should be the maximum entitlement. The basic purpose of a GI educational program should be to assist the veteran in readjusting to civilian life. Most undergraduate degree requirements can be fulfilled in four school years of nine months each.

3. Allowances - NAUS believes the computation of educational assistance allowances should follow the format and scale as currently payable under Section 1682, Title 38, USC. This format takes into consideration the number of dependents and whether the veteran is enrolled full time or less than full time. Any new GI Bill should be as its name implies, educational assistance. NAUS does not believe the intent of Congress should be to provide a free of all costs education program plus full living expenses. Full-time school attendance for all veterans is not desirable or feasible. Therefore reduced allowance for those who because of desires, employment or other aspects attend school less than full time must be included in any GI Bill.

4. Program Completion Limitation - A provision requiring that educational assistance entitlements be used within a specific time frame must be included. This time frame must commence on date of last discharge or release from active duty. A period of not less than six years nor more than ten should be established.

5. Honorable Service - NAUS believes the requirement for honorable service is not asking too much of the individual. In fact it is rather easily attained. An individual has to exert considerable effort and time to be discharged or released under less than honorable conditions. Those individuals released under less-than-honorable conditions should be denied the privilege and benefits of educational assistance.

6. Reserve and National Guard Personnel - Special provisions must be made for these valuable total force components. NAUS defers to the expertise of those organizations with membership confined to Reserve and National Guard personnel.

7. Educational Leaves of Absence - It is this provision upon which NAUS would like to focus its strongest support. Such absences or sabbaticals will not only lend itself to retention of quality personnel, it will allow the services to benefit directly from the educationally improved servicemember. NAUS can think of no better return on our dollars spent on education than to return this individual to active duty. The improved retention factor plus a more highly qualified and motivated individual extends an immediate and direct benefit to the

services. Our military academies and ROTC programs attest to that factor.

Educational leave of absences should be restricted to those enlisted grades of E-5 and above and commissioned officer grades of O-4 and above. This benefit should be restricted to warrant officers in the grade of W-3 and W-4, and W-1 and W-2's with five or more years active duty as an enlisted member.

Educational leave of absences should be granted only to those who have completed not less than five years of continuous active duty, and not more than fifteen years. The maximum period of entitlement should not exceed twenty-four months, to be taken in either one twenty-four month period or two twelve-month periods. Individual's should be paid current basic pay during this period but not basic allowances for quarters or subsistence or other special and incentive pays. Individuals would be entitled to use GI Education Assistance benefits authorized by Title 38 if so desired.

Upon completion of education program, individual would be obligated to complete two months of active duty for each month absent. In the event the individual elects a twelve month absence, obligated active duty requirement must be satisfied before a second twelve month absence would be authorized.

Periods of absence would be counted for promotion and retirement purposes. If eligible, individual could be promoted during such leave of absences.

Travel pay and dislocation allowance would not be payable either upon commencement or completion of absence. Upon completion, individual would return to last duty station for assignment or reassignment if appropriate.

Application for leave of absence should be approved by Secretary of service concerned only upon favorable recommendations by the individual's immediate unit commander and commander with General Courts Martial jurisdiction. Approval should be based on needs of the service, potential of individual to complete the course of study, and relevance of such study to the service concerned.

Secretaries should also have the authority to cancel leaves of absence due to Presidential or Congressional declaration of war or national emergency or due to individual gross misconduct or unsatisfactory performance in the program of education being pursued. Individuals who entered the service, or commenced active duty January 1, 1977 or later should be eligible for this entitlement. Such a retroactive provision would entitle a few current active duty personnel eligibility upon effective date of the law. This provision would help retain some of the much needed middle-level noncommissioned and petty officers, warrant and commissioned officers who are now leaving the service.

That portion of a new GI Education Bill pertaining to readjustment and which rewards an individual for honorable service should be funded by the Veterans Administration. That portion designed to recruit and retain personnel should be funded by the appropriate department. The Veterans Administration should be charged with overall administration of the program.

To this point my testimony has addressed, in general terms, our support for a new GI Bill. At this time, I would like to discuss a few specific provisions of Bill S. 8 under consideration today.

NAUS does not support the provision that would allow the President to "start and stop" the program. This turns education benefits into a "means-tested" entitlement, dependent upon the needs of the military. Conceivably this benefit would only be extended during times of low unemployment or economic crisis. Today enlistment is high because of high unemployment. To my way of thinking this "start and stop" provision authorizes benefits when the nation's economic situation is good, but discontinues them when times are bad. Additionally, I believe such a provision would send the wrong signal to our young citizens. Any educational assistance program authorized by Congress must not be one that can be turned on and off like a water faucet. In this regard LtGen Maxwell R. Thurman, Deputy Chief of Staff for Personnel, U.S. Army testifying on H.R. 1400 in 1981 stated:

"One of the things that is essential is that we get a long-term educational incentive program that is not subject to the vagaries of year-by-year determination....We need a GI bill, and many of the features of H.R. 1400 are similar to the features that we perceive."

NAUS agrees with the eligibility standards and basic educational assistance payable under sections 1402 and 1412. NAUS does not agree with the active duty requirements under Section 1421. Retention is not a serious problem at the four or six year mark of military service. Retention becomes more of a problem at the eight to 12 year mark. NAUS recommends that any second tier of benefit eligibility begin after completion of eight years active duty.

NAUS does have some concern with a two tier system coupled with a "start and stop" provision. Conceivably a "stop" could be involked after the service member has started the active duty requirement for tier one, but before the enlistee starts the active duty requirement for tier two.

NAUS believes any educational assistance program should be simple for recruiters and enlistees to understand, simple to administer, and not subject to the ups and downs of the economy or the whims of a President. A two tiered program with differing active duty service requirements, coupled with different rates of benefits and a "start and stop" provision comes close to making it a program that will not be easy to understand or administer.

NAUS continues to support repeal of the 1989 delimiting date for the current Vietnam-era GI Bill.

In closing, the following is extracted from page 94 of the "Secretary of Defense Fiscal Year 1984 Annual Report" to the Congress:

"(5) Education Incentive Program

Education incentives have proven to be effective means of attracting high quality personnel to military service. The Veteran's Educational Assistance Program is designed to satisfy the needs of the different Services. It allows a basic benefit which can be supplemented by DoD for particular skills, as required. While supporting continuation of the existing program, DoD may need to request more comprehensive programs in the future.

At the same time, we are concerned about the effects of the delimiting date of the Vietnam-era GI Bill. As the 1989 expiration date of the program draws near, a sizable number of members eligible for benefits may decide to leave the Service in order to use them. Replacing these trained and experienced personnel would be expensive and time consuming. DoD supports extension of the delimiting date."

This concludes my statement. I appreciate the privilege of appearing before this distinguished committee and am prepared to respond to questions.

National Association for Uniformed Services

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NAUS Interview

Montgomery, Edgar on GI Bill

NAUS Comment: Two members of Congress who have worked exceedingly hard for a new GI Bill (HR 1400) are Reps. G.V. (Sonny) Montgomery (Miss.-3-D) and Robert W. Edgar (Pa.-7-D). Mr. Montgomery introduced HR 1400 and is chairman of the House Veterans' Affairs Committee. Mr. Edgar has conducted numerous congressional and field hearings on HR 1400 as Chairman of the Subcommittee on Education, Training and Employment, House Veterans Affairs Committee. NAUS believes a new education bill will be very much needed in the near future to attract the quality people the services need. Therefore NAUS' Max J. Beilke interviewed these two good friends of the uniformed services to recognize their efforts and to present their views to NAUS members.

Montgomery Interview

NAUS: Mr. Montgomery, you introduced the GI Bill legislation and have been a strong, visible advocate of the program. Why?

Montgomery: When I introduced HR 1400, the Veterans' Educational Assistance Act of 1981, on Jan. 1, 1981, it was in response to the serious concerns of members of the House and the uniformed military regarding the quality of the young people being recruited for the Armed Services and the then high attrition rate. There were also acute personnel shortages in the ranks of senior non-commissioned officers causing difficulties in filling critical military specialties.

Gen. Edward C. Meyer confirmed this when he indicated at a hearing on the bill on March 17, 1981, that there was turbulence in the Army

Edgar Interview

NAUS: Mr. Edgar, when you first held hearings in 1981, you were not as intense on supporting a new GI Education Bill as you are today. What changed your outlook?

Edgar: You're right. When we first began our hearings on HR 1400 I was on the fence. I needed to be convinced. We scheduled hearings here in Washington, in the marble halls of Congress. As expected all the experts, the generals, the sociologists, the organizations and associations all "paid their dues" saying a new GI Bill was great and necessary. But it wasn't until we went out into the field, at our hearings in Norfolk, Va. and Boston, Mass. that I became a true believer.

We talked formally and informally with nearly 100 active duty Army, Navy, Air Force and Marine person-

MONTGOMERY

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which was causing problems in recruiting and training sufficient quality people.

Based upon testimony of Gen Meyer and many others, I am convinced that educational benefits will go a long way toward improving the quality of recruits and solving the retention problems, and that is why I am a strong supporter of GI Bill legislation.

NAUS: Your bill as reported out of the House Armed Services Committee differs from your original bill. I realize you are somewhat disappointed, but has it in any way cooled your enthusiasm in having Congress approve some form of noncontributory GI Bill this year?

Montgomery: Not at all. The need for a peacetime GI Bill has been well established. I believe this bill will give a big boost to the military services in their determination to enhance the quality of personnel who are responsible for our nation's security.

NAUS: If Congress passes HR 1400 as amended, do you have plans for introducing any changes next year?

Montgomery: HR 1400, as amended, requires that the Secretary of Defense and the Administrator of the Veterans Administration submit to the Congress, at least once every two years, reports on the operation of this educational benefits program. I think it would make sense to delay any major changes in the program until the first report has been received and reviewed.

NAUS: Currently, non-high school graduates are, in some cases, denied the privilege to serve because recruiters are being overwhelmed with the number of unemployed high school graduates who want to enlist. What will happen to our recruiting effort when unemployment is no longer a problem for high school graduates?

Montgomery: There is no doubt that, unless a peacetime GI Bill is in place, severe recruiting problems will reoccur when the unemployment situation improves. I think in the near future we can expect the unemployment curve to start downward again, so I believe we cannot afford to wait until that happens before enacting this legislation. That is why I am extending my best efforts to have HR 1400, as reported by the Armed Services Committee, approved by the 97th Congress before it finally adjourns.

RESTOR
THE
GI
BILL

Rep. Montgomery (l) with "gift" from NAUS' Beilke.

NAUS: Without giving consideration to military needs either today or tomorrow, but considering only proposed budget cuts in other education assistance funding programs, do you think enactment of a new GI Bill is appropriate at this time for the overall good of our nation? If so, why?

Montgomery: A new GI Bill is particularly appropriate at this time of proposed budget cuts in other Federal educational assistance programs. It is time we adjusted our educational priorities. The highest priority for educational assistance should be for veterans' educational programs to benefit individuals who choose to serve their country. For too long we have had a "GI Bill without the GI" in the Department of Education grant and loan programs. HR 1400 is in keeping with the philosophy of previous GI Bills that a person who makes a sacrifice in the national interest by serving in the Armed Forces should be rewarded with education and training benefits to help make up for the time lost while serving in the Armed Forces.

HR 1400 will also establish a program of educational assistance for members of the Selected Reserve and National Guard who agree to serve for at least six years. This educational program for the Selected Reserve was introduced initially by me as HR 3997 and was made a provision of HR 1400 when the bill was approved by the Armed Services Committee. Some call it a mini-GI Bill for the Selected Reserve and National Guard. An individual would be entitled to an educational assistance allowance for a maximum of 36 months at $140 per month for full-time training. Educational assistance will be provided after the individual has completed the initial period of active duty for training and 180 days of service in the Selected Reserve or National Guard. This assistance will not be provided to an individual who has received a baccalaureate degree.

All agree this educational program for the Selected Reserve will be a giant step forward in helping the Reserves and National Guard meet its quotas and be prepared to carry out its mission as part of our All-Volunteer Force.

NAUS: Is passing a GI Bill in 1982 really necessary if it will not have an effect on enlistments and retention until 1985?

Montgomery: 1982 is certainly the time to pass a GI Bill. The Armed Services are going to have real problems recruiting and retaining good people in the future. We know that right now, so now is the time to act—before a crisis develops—before it becomes difficult to recruit quality high school graduates—before the manpower pool begins shrinking—before those important mid-level career NCO's start leaving to go into private industry.

NAUS: GAO Report HRD 82-15, Dec. 3, 1981, "Students Receiving Federal Aid are not Making Satisfactory Academic Progress: Tougher Standards are Needed," revealed that more students receiving Pell

*(See **Montgomery**, Page 13)*

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nel, from E-1's to colonels. The troops themselves knew right away what education benefits could mean to them, their families and the men and women who served with them. They knew very clearly what a new GI Bill could mean to the All-Volunteer Force. They were the real experts. From that point on I knew that we needed a new GI education program, and needed it now.

NAUS: Since the beginning of the 97th Congress in January 1981, how many hearings have you chaired on this subject and approximately how many witnesses have testified before you?

Edgar: I chaired eight hearings, not including our Subcommittee on full Veterans' Affairs Committee markup sessions, with a total of nearly 200 witnesses. But the actual planning for the legislation, drafting its design and content by Chairman Sonny Montgomery, began early in 1980. We participated in those sessions with Department of Defense (DoD) and Pentagon officials entailing hours of discussion, drafting and redrafting, to sculpt the program as best we know how. A wise man once said, "there are two things in this life you never want to see being made: sausage and the law." But I know for a fact that HR 1400 received more in-depth review from beginning to end than any piece of legislation before our Committee. In the end we came out of the Veterans' Affairs Committee with a very good program. My only regret is that it wasn't approved by the Armed Services Committee in that form. But we expect to get another shot at it as it passes through the legislative process.

NAUS: If the young people who use the GI Bill earn more money because of the college education and thus pay more taxes, won't the actual cost be offset by the increased tax revenue?

Edgar: Testimony before our Committee and in prior years before the Senate stated that for every dollar invested in GI Bill education the Federal Government has received $3 to $6 in return. In that sense, the GI Bill has been one of the best investments our country has ever made. On the other hand, the recruitment and retention incentives, including the transferability provision within HR 1400, can significantly improve the quality of military manpower and reduce the attrition rate. Our testimony indicated that merely cutting military attrition in half can save $600 million per year. On that point the legislation is a true bargain for the DoD.

NAUS' Beilke (l) with Rep. Edgar.

NAUS: Approximately 60% of those eligible used the old GI Bill. Do you have any reason to believe the usage rate of any new GI Bill will be different?

Edgar: We are breaking new ground with HR 1400. Prior GI Bills were of different size, shape and purpose. The Vietnam Era GI Bill was a readjustment benefit. Our new program was designed as a recruitment and retention incentive. Basically, we used the 60% utilization figure as a benchmark. But actually, utilization rates are based on a very complex formula impacted by the amount of benefit offered—the higher the benefit level, the more the utilization; and the design of the program—for instance, transferability will increase utilization. We even had to use external social and economic factors such as projected unemployment and inflation rates which will affect how the education benefits are used and who will use them.

NAUS: The VEAP has a participation rate among our active duty force of approximately 24 percent. Forty percent of these participants later drop out. The DoD considers the program a success. Do you agree with their assessment?

Edgar: There is no question based on all our testimony that the VEAP program has been a make-do disaster. The DoD undercuts its own argument and supports our position when they say VEAP is a "success." The only success they have had with the program, and only for the Army, has been when they arbitrarily raised the benefit for certain individuals to levels approximating our legislation, HR 1400. We appreciate their support on that score.

NAUS: Congressman, currently young men and women are being asked to perform a citizens duty of service to their country for pay. Upon honorable completion of the service, we are saying thank you and good-bye. They are not eligible for unemployment compensation or education benefits. How much longer will young Americans continue to serve knowing the hello is warm and cheerful, but the good-bye terse and unfeeling?

Edgar: I believe there is a very clear awareness across the United States that the benefits and our commitment for those who serve and have served in our Armed Forces are just as much a part of our national defense as what we spend on tanks, ships, and planes. The American people have seen what happened to the Vietnam veterans and how they were welcomed home. Currently we are also witnessing an erosion of support for medical and compensation benefits for World War I, World War II and Korean War veterans. These are very strong negative signals for any young person willing to commit themselves to military service. We must see that these commitments are kept.

On the other hand, if we look at military service only as a job, then we

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run the risk of making the same mistake as the Roman Empire. We establish an elete, "Praetorian Guard" and not a quality citizen-soldier defense force more in tune with our history and democratic traditions. In other words, patriotism must not be bought, but it can, and should, be rewarded.

NAUS: The DoD is the only witness to testify in opposition to a new GI Bill. Their position is that because the current Veterans' Educational Assistance Program (VEAP) is successful there is no need for a new GI Bill. Do you believe this is the real reason, or is there some hidden reason they don't want to relate?

Edgar: As you know, for well over one year during our hearings the DoD promised to bring to the hill their version of the new GI Bill. Both the President and the Secretary of Defense on many occasions spoke personally with Chairman Montgomery on the need for the new program. What suddenly changed their minds?

Their decision was not based on the need or the merits of the program, certainly, because we had received universal support during that time. I believe their decision was based on three separate factors.

First, there is an inordinate paranoia within the Administration that government is "the enemy of the people." Bad government certainly is, but not all government. In any case, "government programs" and "government services" have really gotten a very bad name as either being ineffective or unnecessary. Loans and grants under Federal Education Assistance programs are a prime target and prime example of this suspicion. I believe this feeling translated itself over to our "new" program, our GI Bill. There is certainly a feeling within the Administration that we should treat the All-Volunteer Force within the perspective of "supply side" free enterprise economics. The recession and the highest unemployment rate in 40 years has "paid off" in the form of lower inflation rates by restricting the economy. Likewise, unemployment has done the same thing by temporarily improving military recruiting. Obviously if you pay enough for recruits and spread enough money around, the disincentives in the civilian sector are going to drive young men and women into the military just to get a roof over their heads. But, who suffers in the meantime. In doing so, are we making the military an honorable profession, or only an "alternative." We might get the numbers, but not the commitment.

Second, I believe that many DoD officials knew that the President's proposed Defense budget, the largest peacetime military build-up in U.S. history, was going to come under criticism in the Congress this year. A new program, especially one for personnel, undoubtedly would undermine their case in support of this huge expenditure in hardware during a time of strict budget scrutiny.

Third, I believe there is a feeling among many high Administrative officials that some form of draft or return to conscription during this decade is inevitable especially seeing the severe shortages of 18 or 19 year olds we will be experiencing. Implementing a new across-the-board education program for the All-Volunteer Force at this time would only make it more difficult to "switch horses" when that time comes. I trust that time will never come. But continuing with the present inequitable and inefficient VEAP program only makes the switch easier for them.

Mr. **Harvey**. And Mr. Johnson.

Mr. **Johnson**. Thank you.

In my prepared statement I discuss the association's position on providing a new GI bill at this point. I would like this morning to discuss two of our primary concerns.

All the services are currently experiencing good recruiting and retention success. We do not believe this level of intensity can be maintained in the months and years ahead. The Nation's economic recovery, increasing civilian employment opportunities, the decreasing size of the target group eligible to serve in the Armed Forces, and proposed military pay freezes are all going to make this more difficult.

This year Dr. Korb—and I think it's interesting that this has been missed—this year Dr. Korb asked for relief from congressionally imposed mandates on acceptable quality of new accessions in the Armed Forces. He's not asking for this to meet current needs, but to help in future recruiting needs.

At this juncture, DOD is unwilling to commit to support for a new GI bill but they have clearly stated their recognition of the value of education benefits and have sought greater and greater enhancements in the program that is currently available to people who serve in the Armed Forces. They have also asked for an extension of the delimiting date.

All of this brings us to our second concern, which is the failings of the VEAP program as we see it. I don't mean this in a sarcastic manner but simply as an analogy: On its present course VEAP is beginning to look like some of the more exotic weapons systems that we're creating for the Armed Forces. Designers like it, by and large the troops don't and won't participate in it. It still hasn't worked except on a very limited basis. And Congress keeps pouring money into its continued development.

And just like those weapons systems, at some point we've got to sit back and say, "Do we really need them?", or do we have serviceable systems available to us? We think that answer is simple: The old basic GI bill worked for more than 30 years and the principles which made it effective are still valid. Those principles primarily are simplicity, its universal application to people, and its reasonable benefit levels. And all of those things are missing from VEAP.

As a result, we would very much like to see a new GI bill, one that is built on the principles that made the old GI bill so successful. Hopefully, Congress will move toward that conclusion this year.

In closing, I'd like to reiterate the association's support for extension of the December 31, 1989, delimiting date on the Vietnam-era GI bill. We feel it's important, we testified on it five times in previous years. And we hope also that will move to a conclusion this year.

I thank you very much.

Mr. **Harvey**. Gentlemen, thank you all very much.

We do have some written questions that we will be submitting to you and we hope you will respond to those in writing as well.

Again, I apologize for the chairman's absence and that just simply is unavoidable in this line of business.

[The prepared statement of Richard W. Johnson, national legislative director, the Non Commissioned Officers Association of the United States of America, and the responses of the National Association for Uniformed Services and the Non Commissioned Officers Association, to written questions submitted by Hon. Alan K. Simpson, chairman of the Senate Committee on Veterans' Affairs, follow:]

PREPARED STATEMENT OF RICHARD W. JOHNSON, NATIONAL LEGISLATIVE DIRECTOR, THE NON COMMISSIONED OFFICERS ASSOCIATION OF THE UNITED STATES OF AMERICA

The Non Commissioned Officers Association of the USA appreciates this opportunity to appear before the committee to share its views on the creation of a new G.I. Bill and improvements in existing Veterans Education Programs.

NCOA's position on a new G.I. Bill has not changed substantially in the past several years. We have supported the creation of a Veterans Educational Assistance Program (VEAP) replacement and still believe such a program is needed for the veteran, the service member and the armed forces.

Concern about recruiting new personnel and retaining skilled mid-level and senior noncommissioned and petty officers has given rise to a new school of thought on a G.I. Bill. Hence, a new G.I. Bill is not being considered for its value to the veteran, servicemember, or to society in general. These once primary concerns have been subordinated to recruiting and retention considerations. This change of focus has contributed to the development of some very promising legislation, but it has also detracted from the considerations which impact on the veteran and servicemember. Lets look at recruiting and retention first.

Recruiting and Retention in the armed services has improved dramatically in recent years. In the midst of a national recession, the services have been able to exceed 100 percent of their recruiting and retention goals. Reenlistment rates have climbed above 80 percent for the first time since the mid 1970's. As a result, the services have been able to become selective about both recruiting and retention. More than 80 percent of all new recruits are high school graduates and those who do not complete high school within their first enlistment are not allowed to remain in service. The services have also managed to replace a major loss in the NCO/PO ranks that plagued them in 1979. The new corps of mid-level technicians and troop leaders is younger and less experienced than those the services lost, but is becoming extremely capable.

This remarkable recovery was fueled by more than $3 Billion in bonuses, 30 percent pay raises and 10% civilian unemployment rates. Recovery was not cheap, and it is still incomplete. Moreover, continued replacements of personnel shortages are expected to become more difficult. Improvement in the Nation's economy, combined with a 4 percent military pay cap last year and a proposed freeze in military pay this year, may bring a repeat of the 1970's exodus of skilled and trained professional servicemembers. Increasing special pays and maintaining pay comparability will help to avoid an exodus, but they are only part of what can be done.

The services have acknowledged the value of education programs as an inducement to military service. The most comprehensive study, conducted in 1975, found that 1 of every 4 new recruits would not have enlisted without the G.I. Bill. Another 36 percent of those surveyed were not certain whether they would have enlisted without the G.I. Bill. The same study predicted many of the recruiting, retention and attrition problems the services experienced in the late 1970s. VEAP failed to significantly address these problems.

The contributory nature of VEAP has discouraged enrollment. Two years ago the minimum VEAP contribution was more than 11% of entry level pay. The maximum contribution was more than 13% of the pay of an E-4 with two years of service. Recent military pay raises have reduced these percentages by almost one-half, but contributions still represent a substantial forfeiture by a servicemember living near poverty level. Recognizing this failure, the services sought and now selectively employ "kickers" to enhance the use and effectiveness of the program but this selective application is expensive and has done little to improve force quality. In short, VEAP did not work, does not work well now and is not likely to work in the future. Even the services testified to this two years ago. However, the contributory requirements were not the program's greatest failure.

By far, VEAP's most significant failure is vested in the lack of respect for its beneficiaries. The requirements for cash contributions from low incomes; the relatively low yield in relation to education costs; the requirement for continuous fixed level contributions; the inability of the member to easily recover monies contributed before leaving service or immediately upon disenrollment; the lack of understanding; and the differentiation between various participants are all examples of VEAP's problems. Further, these inadequacies have been compounded by giving our service people the perception that voluntary service is not as important as that by inductees in the Vietnam era. We don't need to help peacetime veterans reconstruct a life they voluntarily interrupted to serve their country.

Mr. Chairman, the Committee knows that this is not true and has never been among the political considerations driving this issue. But, the committee also knows that when dealing with people, misconceptions such as these can permanently condemn an otherwise worthy effort.

Accordingly, we cannot rely on the recruiting and retention impact of a new G.I. Bill to justify its creation. To be successful, it must be acceptable to the servicemembers and veterans for whom such a program is created. It must overcome the failures of VEAP and bring "people" considerations back into the issue. Fortunately, there is a successful model to use in designing a new G.I. Bill.

The Vietnam era G.I. Bill is probably one of the most successful government programs ever conceived. It was simple, easy to understand and adquate to the task. It gave educational opportunities to thousands of veterans who may not otherwise have been able to afford a college education. At the same time, it assisted armed forces recruiting and subsequently helped veterans readjust to civilian life. Today, the United States is beginning to reap the benefit of that investment.

The old G.I. Bill has to be considered an investment in America. According to Internal Revenue Service and Treasury Department estimates, the United States will get back $3 to $6 for every $1 paid to veterans in educational assistance. The return comes in the form of higher taxes on the increased earnings made possible by a G.I. education. Additionally, the country benefits from their services as engineers, scientists, technicians, and the other occupations which veterans enter. The Association believes a new G.I. Bill will restore this investment in America. Moreover, putting money into a G.I. Bill has an immediate and sustaining effect on the country before it is returned in taxes.

The money paid in education benefits goes into communities and school systems across the United States. It builds and sustains schools and colleges. It supports veterans who contribute to the community. At one time, G.I. Education Benefits accounted for about half of all federal student aid. Today only about 10 percent of federal student aid goes to veterans. This means two things. First, post-secondary educational institutions are losing a major source of revenue which affects every congressional district in the nation. Second, and perhaps more important, 90 percent of all student aid is being provided to young men and women who have no obligation to serve their country. It is a sad commentary on society when those who do not serve their country can reap greater benefits than those who fulfill an obligation of citizenship.

Our point is a simple one. We believe it is time to recreate the G.I. Bill for those who serve. There are a number of promising proposals before the committee but before discussing them, we would like to offer some characteristics we believe a new G.I. Bill should have.

A new G.I. Bill will be a valuable asset if it is not adorned with frills. Like the Constitution, it must be equitable, enduring, capable of withstanding challenge, and easy to understand. The key is simplicity. We also believe a good G.I. Bill should cost the least amount of money, just enough to be successful. The benefits must be respectable but, after all, a new G.I. Bill can only produce a certain number of recruits no matter how much money is spent on it.

Our recommendations to achieve this goal are simple. First, provide a single basic benefit based on length of service. This approach was endorsed last year by the Congressional Budget Office. According to CBO, this will hold down the cost of the program and is not likely to affect first term retention. We agree.

Second, if some sort of supplemental benefits are included for members or their dependents, we believe they should be contributory. Certainly this is the most controversial part of the bill, and in all honesty, it is likely to be the least productive. NCOA advocates providing assistance to service members who want to save additional money for their own education or that of a dependent. Assistance is the operative word. A participatory or savings program with matching funds would be acceptable, but we would oppose any program which allows the services to make contributions on behalf of any member. Help--don't give.

Finally, we support inservice use and education leave provisions. Both will allow the armed services to benefit from the member's education thus improving the quality of the Armed Forces.

The Committee has under consideration three bills. Each addresses the problem of a good educational assistance program very differently.

First is S. 667, which is essentially another "improvement" in the Veterans Educational Assistance Program (VEAP). It increases the benefit ratio to $3 for $1 of individual contribution and leaves intact the $2 for $1 ratio on contribution made by the service department as a "kicker" or special incentive. The bill proposes the payment of interest on individual contributions if the participant becomes a student. However, in the event the servicemember or veteran withdraws from the program, no interest will be paid. Funding of these improvements would be a function of the Defense Department immediately and, after December 31, 1989, DoD would be required to reimburse the VA for benefits paid under the Vietnam era Veterans Educational Assistance (Chapter 34) program and the administrative costs of both programs. Finally S-667 would retitle the VEAP statute as the "Service Persons Account for Veterans Education," presumably to better define its function.

S. 8, is a slightly more complicated proposal to replace VEAP with a stand-by "All-Volunteer Force Educational Assistance Act." This program would provide basic educational assistance payments of $250 per month (maximum $9,000) to any person entering the armed forces who completes 3 years of active duty or two years of active duty with a 4 year reserve service committment. Supplemental benefits would be earned at a rate of $375 per month ($13,500 maximum) for every month of active service over three years if the member serves on active duty for more than 6 years or if the individual commits to 4 years of reserve service after completing 4 years of active duty. Basic and supplemental payments could be made concurrently to those who qualify and, generally, individuals would have ten years after discharge to use their benefits. This measure would also be funded by DoD as would other benefit and administrative costs in other programs after December 31, 1989. There are other miscellaneous intricacies which do not require discussion. The key to the proposal is its stand-by nature allowing the President to prescribe beginning and ending dates of eligibility.

The three part program proposed in S-691, Veterans Education Assistance Act of 1983, is the final alternative. Under its provisions, individuals receiving an honorable discharge after serving their full enlistment, would receive educational assistance payments of $300 per month for 36 months. Reservists would earn half that amount and either could begin receiving payments after two years of service. Appropriate service secretaries could enhance the benefits, in individual cases, to aid in recruiting or retention. The second part of the program is the Career Members' Educational Assistance Fund. Servicemembers with more than ten years of active duty can contribute $25 to $100 per month for up to ten years ($6,000 maximum) which would be matched on a $2 for $1 ratio. The proceeds, paid monthly, could be used by the member or by his spouse or dependent child. The final provision allows service members to take a one year education leave with pay but requires an additional two year service commitment. Again, funding would be a function of the Defense Department.

All three Bills have obvious attributes. S-667 seeks to enhance the existing program. Regretably, it also further complicates understanding of VEAP and does little to solve the problems which have led to low enrollments and high withdrawals. Even its generous increase in benefits will not help the first term soldier Marine, sailor, airman, or Coast Guardsman make a 5% to 20% contribution of pay to participate. And, those who do participate, but don't receive kickers are still buying disappointment. The Bill's provisions to pay interest on education benefits is good. Still, it does not help those who participate in good faith but must withdraw for economic reasons. They still lose the inflation value of their deposits. As previously discussed, the Association does not believe VEAP will ever be an equitable program. Accordingly, we cannot support further "improvements".

S-8 fits the Association's desire for a basic benefit that is easy to understand, equitable, and based on length of honorable service. The supplemental benefits cause us some concern. As previously stated, we believe the services can better deal with retention through the use of special pays. We also rely on CBO's assessment that first term retention will not be adversely affected by the creation of a basic G.I. Bill. In a point of fact, retention problems are most critical at the eight to fifteen year mark. It was the loss of NCOs/POs at this level that led to the critical manpower shortages discussed earlier. Supplemental benefits that mature before the eighth year, may further hinder retention. Finally, too many factors influence enlistment and, particularly, reenlistment decisions to make the on again/off again mechanism reliable. At best, it may create a system that works in spurts. Again, we believe a good, in place, G.I. Bill will have a consistently good effect on recruiting and will return its cost several times over. Special pays are more effective on again/off again programs.

As you may have noticed, there is a remarkable similarity between our earlier description of what NCOA would like to see in a new G.I. Bill and S-691. That is not entirely coincidental. We particularly like its basic program. The contributory supplemental may have a positive impact on retention but even if it does not, it will be valuable to those who participate. Contributions will also be more affordable to servicemembers at this point because of the increased grade of the participants. The program also provides a uniform benefit for reservists. We reiterate our opposition to kickers but we otherwise support the measure and recommend its adoption.

Comments were also invited on S-9 a measure seeking to provide a 15% increase in Vietnam era educational assistance payments and vocational rehabilitation payments effective April 1, 1984. The Association strongly supports the proposal. The rates of payment in these programs have not been adjusted during the past three years. Meanwhile, education costs have risen by more than 28 percent. Additionally, the 10 percent increase provided three years ago, offset only about one third of the actual CPI increase since the last previous adjustment in 1977. As a result, the current real value of these stipends is about 55 percent less than they were in 1977. When veterans complain their benefits don't go half as far as they used to, they are not exaggerating.

Finally, the Association, once again, asks the committee to adopt legislation extending the December 31, 1989 delimitating date on the Vietnam Era G.I. Bill. In past years, NCOA has warned of an exodus of career military personnel who want to use their education benefits. Last year, several of the service chiefs also warned Congress of impending personnel losses. In a hearing before a House Armed Services Subcommittee on February 24, 1983, Dr. Lawrence J. Korb, Assistant Secretary of Defense for Manpower described the problem and specifically asked forlegislation extending these G.I. Bill benefits. We endorse that request and urge the committee's immediate attention to the issue.

Thank you.

RESPONSE OF THE NATIONAL ASSOCIATION FOR UNIFORMED SERVICES TO WRITTEN QUESTIONS SUBMITTED BY HON. ALAN K. SIMPSON, CHAIRMAN OF THE SENATE COMMITTEE ON VETERANS' AFFAIRS

Question 1. At this Committee's markup of the VA budget for fiscal year 1984 several weeks ago, we agreed to include in our recommendations to the Budget Committee $150 million to allow us to consider two alternatives for its use -- the provision of a rate adjustment in Vietnam-era GI Bill educational benefits, and/or some kind of job or job training initiative.

In light of my commitment to support a rate increase in GI Bill benefits for fiscal year 1985, and in light of the high cost of providing meaningful assistance in the area of job training, what are your organization's views with regard to how this $150 million is expended?

Answer: NAUS believes these funds would better serve our veterans through a rate adjustment in GI Bill Education benefits. It is doubtful an adjustment will entice anyone not already enrolled in college to commence utilization of their earned benefits. Therefore overall expenditures would not be substantially increased by new enrollees. It is more likely that an increase will prevent some veterans from dropping out of school because of lack of funds. In light of other job initiatives under consideration by Congress, the use of these VA funds would be better spent on education than on employment. A third alternative for the use of these funds might be to reduce the backlog of cases awaiting adjudication.

Question 2. If Congress enacted a noncontributory, GI Bill education program to be provided to members of the peacetime, All-Volunteer Force -- and you all, to some extent, seem to support this -- in the event of wartime or conscription, would the veterans' organizations be satisfied to retain this same noncontributory program for wartime veterans or would they encourage Congress to "up the ante" for those who serve under those conditions?

Answer: It is somewhat difficult to explain to our advisors in El Salvador, or the Marines in Lebanon, or the soldiers along the DMZ the difference in their duty from that of a clerk/typist who never leaves the United States during wartime.

During periods of conflict, we have never segregated combat and non-combat veterans when applying VA benefits.

On the premise that the Department of Defense is the funding agency for any enacted All-Volunteer Force (AVF) GI Bill, then if at a later date Congress deems appropriate to increase the benefit levels because of wartime, the VA could fund this additional or supplemental program.

Question 3. The VA's testimony concerning their recent experience with applications under the targeted GI Bill delimiting date extension indicates a 17.4 percent cumulative approval rate through the end of last year. However, their approval rate appears to have increased substantially based on early 1983 figures, presumably as a result of clarifications made in this extension in Public Law 97-306. Does the response which you have gotten from your membership reflect this improved approval rate?

Answer: NAUS has not had sufficient response from our membership upon which we can base a reply.

Question 4. Do you support the addition of apprenticeship and on-the-job training as reimbursable programs under VEAP, in the manner recommended by the VA? That is, limiting eligibility to those individuals who have been discharged or released from the service?

Answer: NAUS would support such an addition.

RESPONSE OF THE NON COMMISSIONED OFFICERS ASSOCIATION TO WRITTEN QUESTIONS SUBMITTED BY HON. ALAN K. SIMPSON, CHAIRMAN OF THE SENATE COMMITTEE ON VETERANS' AFFAIRS

Question 1

At this Committee's markup of the VA budget for fiscal year 1974 several weeks ago, we agreed to include in our recommendations to the Budget Committee $150 million to allow us to consider two alternatives for its use -- the provision of a rate adjustment in Vietnam-Era GI Bill educational benefits, and/or some kind of job or job training initiative.

In light of my commitment to support a rate increase in GI Bill benefits for fiscal year 1985, and in light of the high cost of providing meaningful assistance in the area of job training, what are your organizations' views with regard to how this $150 million is expended?

Answer 1

NCOA believes a portion of this money should be used to increase the size of the Board of Veterans Appeals. The remaining funds should be allocated to the Department of Veterans Benefits for the discretionary use of the Chief Benefits Director to reduce the adjucation time of veterans claims. Our reasons for suggesting this distribution are relatively simple. The Association would have requested that the money be spent on the establishment of a new G.I. Bill as stated in oral testimony. However, the Association realizes a new G.I. Bill would not cost $150 million to enact and, further, that any cost associated to the enactment of a new G.I. Bill will be borne by DoD. Second, as stated in our written testimony, we strongly support a necessary increase in Vietnam-Era G.I. Bill benefits as proposed in S-9. However, in view of various commitments by the chairman and others to support such an increase effective October 1, 1984, and since such a delay would not significantly affect the program, NCOA accepts the delay. Finally, the Association does not believe a $150 million jobs program will have significant impact on veterans employment opportunities. Hopefully, veterans will benefit from the omnibus jobs package recently adopted by Congress. We therefore believe that an effort to improve the adjudication process is the most desirable way to distribute the $150 million. The expenditure will provide a much needed and measurable improvement in services reflecting favorably on the VA and directly benefiting a large segment of our veteran population.

Question 2

If Congress enacted a non-contributory, GI Bill education program to be provided to members of the peacetime, All-Volunteer Force -- and you all, to some extent, seem to support this -- in the event of wartime or conscription, would the veterans' organizations be satisfied to retain this same non-contributory program for wartime veterans or would they encourage Congress to "up the ante" for those who serve under those conditions?

Answer 2

The NCOA does not subscribe to the theory that a non-contributory G.I. Bill and wartime service are related; nor do we see conscripted service as something requiring the reward of a G.I. Bill. Whether voluntary or involuntary, service in the armed forces is a duty of citizenship which requires the interruption of civilian life. Whether peace-time or wartime, the value of military service to the nation is constant. The inherent risks of military service are not significantly reduced in peace-time service. The Myaguez incident which claimed more than 40 peacetime servicemen occurred about one week after the end of the Vietnam Era. Since then many more service members have been killed or wounded by hostile fire. Training accidents aimed at keeping our forces at the ready have claimed still more. NCOA has stated its belief that a non-contributory G.I. Bill will induce a relatively constant portion of young people to serve in the armed forces regardless of the level of benefits provided. In that respect, we view it as a recruiting tool. For those willing to serve this country, in peace or war, we view education benefits as their due. NCOA would not attempt to distinguish between peacetime or wartime or voluntary or conscripted service by seeking different levels of education benefits. We will continue to support proposals to maintain the value of education benefits by providing appropriate cost-of-living adjustments but we will not support "upping the ante."

Question 3

The VA's testimony concerning their recent experience with applications under the targeted GI Bill delimiting date extension indicates a 17.4 percent cumulative approval rate through the end of last year. However, their approval rate appears to have increased substantially based on early 1983 figures, presumably as a result of clarifications made in this extension in Public Law 97-306.

Does the response which you have gotten from your membership reflect this improved approval rate?

Answer 3

The Association has not had significant member comments on this issue. We therefore reserve reply.

Question 4

Do you support the addition of apprenticeship and on-the-job training as reimbursable programs under VEAP, in the manner recommended by the VA? That is, limiting eligibility to those individuals who have been discharged or released from the service?

Answer 4

The Association endorses the Veterans Administration request.

Mr. **Harvey**. I believe that concludes the hearing this morning. The hearing is adjourned.

Thank you.

[Whereupon, at 11:57 a.m., the hearing was concluded.]

[The following statement was received by the committee from the American Legion for the hearing record:]

PREPARED STATEMENT OF G. MICHAEL SCHLEE, DIRECTOR, NATIONAL SECURITY/FOREIGN RELATIONS COMMISSIONS AND PAUL S. EGAN, DEPUTY DIRECTOR, NATIONAL LEGISLATIVE COMMISSION, THE AMERICAN LEGION

Mr. Chairman and Members of this Committee:

The American Legion appreciates this opportunity to express its views on legislation to create either additional incentives or a Peace Time GI Bill for the purpose of promoting recruitment and retention within the Armed Forces. Each of the measures under consideration, S.667, S.8 and S.9, have merit and would likely accomplish their respectively stated purposes to a greater or lesser extent.

Necessarily, the Legion's view of each of these measures, as with other similar measures such as S.691, introduced by Senator Armstrong, must be tempered by the attached nationally adopted Legion resolution. In that respect, the Legion is obligated to support legislation either conforming exactly or as nearly as possible to the intent of that resolution. Unlike the Legion resolution of last year and the year before, the current mandate is limited to two basic requirements. First recruitment/retention legislation must fund an incentive program for Active and Reserve Forces. Second, the program must be funded by the Department of Defense (DoD), but administered by VA.

With this in mind, we offer commentary on each of the respective measures with the understanding that all of them essentially qualify for Legion support. This is also partially true of S.9

which, if taken together with elimination of the Vietnam Era Education program termination date, could serve as a retention incentive for Vietnam Era veterans having decided to make military service a career.

On its face S.667 is an alluring idea as a recruitment/retention device short of a full fledged Peace Time GI Bill. At the present time, none of the Armed Services are experiencing the severe problems of recruitment or retention which plagued all Branches just three short years ago. Indeed, if one could be positively sure that the dramatic recruitment/retention turnaround in the last three years will be permanent, S.667 would unquestionably be the cheapest yet most effective way of insuring military manpower resources.

Altering the image of the Veterans Educational Assistance Program (VEAP) by changing its acronym to a more inspiring Serviceperson's Account for Veterans' Education (SAVE) might go some of the distance toward establishing greater confidence in the program. More importantly, increasing the Department of Defense matching contribution from $2 to $3 while simultaneously paying interest on the serviceperson's contribution may generate renewed interest by military personnel in contributory programs, regardless of the acronym.

Yet, there remain legitimate considerations and demographic data which suggest that SAVE, if enacted, will be inadequate to its own stated purpose. One cannot help but reason that the coincidence of severe recession and high national unemployment levels in tandem with meaningful military pay and benefit increases over the last two years have reversed recruitment/retention problems over the same period. To assume an economic explanation for recent military personnel gains as axiomatic counsels caution that when the economy rebounds if pay and benefits increases fall behind as in the past, military personnel will once again be neither able to afford a contributory program nor be induced to consider the military service because of one.

Apart from economics, demographics make contributory educational programs even less desirable in the future. Congressional Quarterly's 1980 publication U.S. Defense Policy: Weapons, Strategy and Commitments asserts that in 1980 the military service needed and recruited 1 of every 4 qualified and available males. They project that by the mid to late 1980's the services will need to recruit 1 of every 2 qualified and available males. This is because in the post baby boom era, the population of 18 year old males will shrink precipitously. Moreover, it is reasonable to assume that if, as a nation, it is decided to eschew a return to conscription, much more potent incentives to join and remain in military service than SAVE will be needed.

One final provision of S.667 would erase the 1989 termination date of the Vietnam Era GI Bill for veterans having entered the military prior to January 1, 1977 and having also chosen to make the military a career. It is pointed out, perhaps correctly, that this change will promote retention of critical skill careerists who otherwise might leave the service in time to utilize their Chapter 34 benefits.

The logic of this proposition is sensible if retention concerns are directed toward all Vietnam Era careerists. However, if the principal retention concern focuses on the critical skills careerists, the logic dims. This is because highly skilled careerists opting to leave the service would likely do so because of higher paying jobs in the private sector. Assuming these careerists left the services for higher paying jobs, it is unlikely that they would utilize their Chapter 34 benefits in pursuit of a college degree.

As regards the Legion's view of allowing Vietnam Era careerists to utilize Chapter 34 benefits beyond the 1989 termination date, we support the initiative because DoD would be responsible for funding it beyond 1989.

Alternative measures such as S.8 and S.691 are much more aggressive than S.667. Undoubtedly, they too could succeed in their respectively stated purposes. Each of these is a new GI Bill modeled more or less after the Vietnam Era GI Bill with one important exception. Each of these is intended not as a readjustment benefit, but as a recruitment/retention incentive.

As a matter of policy which the Legion has adhered to in the last two years, the GI Bill model for recruitment/retention is preferable to a contributory educational program, notwithstanding substantial modification in Legion resolutions between 1980 and the present. This is because, as stated above, economic conditions may change the climate in which young people make decisions on whether or not to enter military service. Moreover, while economics may create instability for military personnel planning, demographics will surely make potent incentives a necessity in the future.

After having tendered support for a GI Bill model, it is worthwhile here also to explore some reservations. First both S.8 and S.691 are more or less generous educational entitlements even though they require performance of specific enlistment periods.

Importantly, each is predicated on an assumption that the All Volunteer concept will remain as the only mechanism to fill the ranks of the military services.

This assumption may not be appropriate if the demographic constraints cited above or the outbreak of hostilities requiring U.S. military involvement dictate large infusions of scarce 18 year old male resources in a short period of time. In that eventuality, it seems reasonable to assume that the nation would have little choice but to return to conscription.

Apart from the fact that the Legion has always regarded conscription favorably, how might the veteran of a future conflict reconcile the equities of being eligible for future educational readjustment benefits no greater than those received by his peace time peers? The point here is that the generosity of provisions contained in S.8 and S.691 leave little room either for conversion to a readjustment benefit or enhancement of benefits for future wartime veterans.

Given current budgetary constraints as well as current successes in military recruitment and retention, the provision for a Presidentially initiated and Congressionally approved trigger is attractive. The only reservation here is whether or not once triggered, veterans having entered the military would be "grandfathered" if Congress and the Executive Branch subsequently decided the program was unwarranted.

As with S.667, if in the wisdom of the Veterans Affairs Committees and Congress it is determined that either S.8 or S.691 are necessary, the Legion wholeheartedly supports provisions which require DoD funding and VA administration. Clearly VA has successfully administered each preceding GI Bill and unquestionably has the resources to carry out a new education program more efficiently than DoD.

At the outset it was stated that S.9, legislation providing a 15 percent increase in Vietnam Era GI Bill benefits, is supportable as a retention device. This is especially true if the same increase would accrue to Vietnam Era veterans opting to utilize DoD funded Chapter 34 benefits beyond the 1989 termination date.

Apart from viewing S.9 as a retention device alone, however, equity suggests that an increase is in order for veterans currently utilizing their benefits in efforts to readjust to civilian life. The American Legion has requested that each of the Veterans Affairs Committees look seriously at this option since this readjustment benefit has been left unadjusted for two years amid skyrocketing educational costs.

Recognizing the growing difficulty of veterans attempting to meet the escalating cost of education, The American Legion took a lead last year in reversing a Pell Grant eligibility restriction contained in the Omnibus Reconciliation Act of 1981, P.L. 97-35. If in the wisdom of the Veterans Affairs Committees and Congress it is determined that an education adjustment cannot wait until next year, the Legion will be grateful.

On the other hand, if because of scarce VA resources, it is determined that approximately the same amount of funding can better be spent addressing the shocking levels of veteran unemployment, The American Legion has every intention of making its recommendations as to the most appropriate way an emergency training program should be fashioned.

Mr. Chairman, that concludes our statement.

64th NATIONAL CONVENTION OF THE AMERICAN LEGION
HELD IN CHICAGO, ILLINOIS
AUGUST 24-26, 1982

RESOLUTION 516

COMMITTEE: National Security

SUBJECT: EDUCATION INCENTIVES FOR ACTIVE AND RESERVE FORCES

WHEREAS, Congress has terminated the education program under Chapter 34, Title 38, U.S. Code, for those persons enlisting in the Armed Forces of the United States on or after January 1, 1977; and

WHEREAS, Congress replaced this educational assistance program with a less generous experimental contributory program under Chapter 32, Title 38, which is known as the Post-Vietnam Era Veterans Educations Assistance Program, or "VEAP," wherein the Federal Government matches on a two-to-one basis the deposits by the individual military member to VEAP; and

WHEREAS, the Secretary of Defense is authorized under this program to contribute additional unspecified amounts to an individual's VEAP account above that level as a recruiting or retention incentive; and

WHEREAS, the armed services have testified that the VEAP program is not effective as a recruiting and retention tool; and

WHEREAS, the Department of Education now provides without service requirement, direct and guaranteed student loans with minimal interest rates which do not require repayment to commence until 9-12 months after graduation with complete repayment within 10 years; and

WHEREAS, all military services are currently experiencing great success in recruiting and retaining military personnel but it is apparent that this problem will worsen in the 1980s as the number of 18-year personnel decline to 1.7 million in the latter part of the decade, thus requiring the services to recruit 50% of all military age males who are physically and mentally qualified and who are not enrolled in college in order to meet the manpower needs of the services; and

WHEREAS, The American Legion believes that educational incentives play an important part in the recruitment and retention of personnel, and any attempt to restrict or delete such benefits as a cost-saving measure would adversely affect the military services ability to meet their accession and retention goals; and

WHEREAS, The American Legion believes that the declining numbers of 18-year old personnel will likely force resumption of the draft, and will encourage Congress to authorize an education incentive program as a readjustment benefit comparable to those that were provided under Public Law 89-358, the so-called "Cold War Veterans Readjustment Act;" now, therefore, be it

RESOLVED, by The American Legion in National Convention assembled in Chicago, Illinois, August 24-26, 1982, that we urge Congress to enact legislation which would authorize and fund an education inventive program to support retention and recruiting for Active and Reserve Forces; and, be it finally

RESOLVED, that The American Legion recommend to Congress that any such educational incentive program be funded as a Department of Defense function but be administered by the Veterans Administration since the VA currently has staff and expertise to administer such a program.

64th NATIONAL CONVENTION OF THE AMERICAN LEGION
HELD IN CHICAGO, ILLINOIS
AUGUST 24-26, 1982

RESOLUTION 355

COMMITTEE: National Security

SUBJECT: MILITARY DRAFT

WHEREAS, nine years have elapsed since the United States initiated the effort to meet its military manpower requirements through the concept of an All Volunteer Force (AVF) with a standby Selective Service System theoretically capable of quick reactivation to provide draftees in an emergency; and

WHEREAS, several underlying assumptions on which those manpower policies were based have changed since the AVF began in 1973; i.e., as stated by the Senate Armed Services Committee; "Soviet military capabilities have increased substantially in terms of quantity and quality of manpower; quantity and sophistication of material; command, control, communications and intelligence capability;" and

WHEREAS, all our armed forces are suffering from the impact of having to compete for a dwindling manpower pool, which by 1992 will require the enlistment each year of one in four of American males who become eligible for military service; and

WHEREAS, all Services are, at the moment, reaching their active duty manpower quotas at undue expense in terms of the dollars used for recruiting and in terms of the societal imbalances of the recruited force; and

WHEREAS, the costs associated with keeping people in uniform have continued to rise in spite of the increased monetary support for our people, we have wound up with a forces that is substantially under-armed, trained and under-qualified; and

WHEREAS, we Americans find it difficult to believe that the problem can be resolved simply by throwing more money at it; and

WHEREAS, frequent overseas deployments and non-competitive compensation have brought pressures on career personnel that continue to drive them from the ranks in substantial numbers seriously depleting the level of professionalism through all the Services; and

WHEREAS, the time has come for us to acknowledge the failure of the All-Volunteer Force and we must find other ways to build the capable, credible military forces that are essential to our national policy and interests; and

WHEREAS, the only obvious system is a form of Selective Service that brings service to the country back into proper national perspective as history shows no successful substitute for the citizen's direct involvement in his destiny; and

WHEREAS, any operative Selective Service plan had to be completely fair for all as ever since Vietnam, middle Americans have not been in uniform of their country; and

WHEREAS, the Military Selective Service Act, as amended, provides a fair and equitable selection system under which 95% of our young physically qualified men have an equal opportunity to be considered for military service through a lottery system with stringent controls over deferments; now, therefore, be it

RESOLVED, by The American Legion in National Convention assembled in Chicago, Illinois, August 24-26, 1982, that we recognize the inadequacy of the All-Volunteer Force and support a return to a military draft program as the primary source of personnel to meet the manpower requirements of our armed forces, including the Reserve components thereof.